DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GWC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

Friday, August 8, 1958
9:00 A. M. -- 11:10 A. M.

The following were present:

President Eisenhower

Executive Session

Vice President Nixon
Sec. Anderson
Mr. Rogers
Mr. Summerfield
  (left immediately after
  Executive Session)
Sec. Seaton
Sec. Weeks
Sec. Mitchell

Director Stans
Gov. Hoegh

Gov. Adams

(Note: Sec. Dulles came in after
Executive Session was over)

Regular Session

Under Sec. of State Herter
Deputy Sec. of Defense Quarles
  (for Mr. McElroy)
Under Sec. of Agr. Morse
  (for Mr. Benson)
Asst. PMG Lyons
  (for Mr. Summerfield)
Asst. Sec. of Interior Aandahl
Mr. Pat O'Meara, Interior
Mr. Ellsworth, CSC
Dr. Saulnier

Gen. Persons
Dr. Killian
Gen. Bragdon
Mr. Randall
Mr. Larson
Mr. Gordon Gray
Adm. Strauss
Gen. Goodpaster
Col. Meek
Mr. Morgan
Dr. Hauge
Mr. Martin
Mr. Jack Anderson
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Long Range Drought Area Program - (CP 58-62/2) - Gen. Bragdon made a detailed presentation on the many planning groups concerned with water resources and recommended that a Drought Survey Board be established to develop a basic integrated water plan for the Nation as a whole.

Sec. Anderson suggested that the survey be done by one or another existing agency since some new group without a feeling for Federal responsibilities

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would merely create pressures for vast new expenditures of Federal money. The President felt that no one agency could do this, that such plan would be extremely useful in keeping agencies like the Corps of Engineers in line. He made clear that the Survey Board would merely lay out the proper objectives without ever becoming an operating body.

Secretaries Morse and Seaton tended to concur in Sec. Anderson's concern, whereupon the President indicated that decision would not be made at this meeting and that Gen. Bragdon should consult further with Cabinet members interested to see what modifications of the paper, if any, would be needed to forestall public relations problems.

The Vice President spoke enthusiastically on the merits of such a study. Gen. Bragdon recounted the consolidations already accomplished with various States, in which it was apparent that the States would give this proposal a cordial reception. Gen. Bragdon stressed that action should be expedited so that the State Legislatures which meet in January could take steps to provide funds for their part of the survey. He assured the President that the same amount of necessary Federal funds could be had from existing appropriations without any new request to the Congress.

In the discussion the President made clear his feeling that the survey would not lead to vast new Federal expenditures but would provide a more rational basis for utilizing about the same amounts as are presently devoted to water resources development. He concluded by praising Gen. Bragdon's report and expressing his hope that it could lead to effective accomplishment.

Conversion of Saline Water - In his presentation of recent developments in this field, Sec. Seaton emphasized that the cost of conversion is rapidly being reduced and now stands at about $1.75 per thousand gallons, eventually to be reduced to about 50 or 60 cents per thousand. He pointed out that Congress has not been providing as much money as the Administration has been requesting or for as useful purposes as the Administration recommendations. In response to the President's query, he asserted that the tremendous quantities of brackish waters in the Midwest would suffice to fulfill anticipated needs without any requirement for piping water from the ocean to the area.

The President and Sec. Dulles were interested in the possibility of making use of this program in connection with the UN. They ascertained from Sec. Seaton that Russia may be as far advanced in this activity as is the United States but that there is no reason for believing Russia is ahead of the United States. As in so many other things, said Mr. Seaton, Russia just is not letting the rest of the world know what she is doing.

Personnel Security - (CP 58-84) - The Attorney General noted that the Advisory Committee named to review the Wright Commission report had found many of the Commission's proposals to be impractical, especially

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the idea of establishing a separate security agency. Mr. Rogers saw no purpose in trying to send any last minute proposals to Congress this session. He stated that the Advisory Committee would continue to function and he hoped that members of the Cabinet would submit to it any ideas they have for legislative requests next session. Sec. Weeks commented on the extensive disagreement between the Wright Commission and the Advisory Committee, both well qualified groups, and the Attorney General noted that the Wright Commission had included a great variety of views that are all reflected in the report.

Sec. Quarles stated Defense's particular interest in maintaining security rather than loyalty as the basis for the program and also the need for legislation specifying that all positions within the Department are sensitive, thus solving the problem created by the Supreme Court when it ruled against presumption of sensitivity.

Mr. Lyons noted some of the Post Office Department's problems as a result of court rulings and expressed favor for the Rees Bill. Mr. Rogers characterized the bill as a very complicated one and suggested that the Postmaster General, the Secretary of Defense, and any others interested could get together later on to discuss this.

Report on South America - Sec. Dulles gave a few highlights of his visit to the new capital of Brazil now under construction and the importance of the dynamic force that President Kubitschek represents. In this, he believed, lies the source of much hope to the people of South America for change and improvement in the years to come. He noted that Kubitschek at first had been cool toward the idea of a Latin American loan organization, then reversed himself when he saw the possibility that such a new organization might limit its activities to major development projects such as those Brazil is emphasizing. The Secretary also noted that Mr. Kubitschek for the first time had made a direct reference to Communism in the communique.

Sec. Dulles and the Vice President noted the significance of the recent Argentine action in granting an oil concession to a foreign concern.

Regarding the possibility of a "summit" conference between Presidents Eisenhower and Kubitschek and perhaps other leaders, Sec. Dulles said that Kubitschek had scarcely mentioned it but would probably like it in about a year if his project then shows much success. The Vice President felt that something positive on the economic side would have to be at hand if any such meeting were to have a good effect.

LAM
L. A. Minnich, Jr.

Copies to:
    Mrs. Whitman (2)✓
    Mr. Gray
    Mr. Minnich

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RA - 58-114

CABINET PAPER—PRIVILEGED August 13, 1958

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THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet, Friday, August 8, 1958:

1. Report on Long-Range Actions for the Western Drouth Area (CP - 58-62/2 CP - 58-62/3

ACTION:

a. Cabinet Paper 58-62/2, including its three recommendations, was approved, subject to:

i) further consultation with the Cabinet Members primarily involved, followed by appropriate revisions based on this consultation;

ii) distribution of the paper, with the agreed revisions pursuant to subparagraph (i) above, to the affected Members of Congress and to officials of the localities and of the States in the area involved (defined as being within the solid black line on the map following page 6 of CP - 58-62/2), and consultation by the Special Assistant to the President for Public Works Planning with these officials in order to help bring about a favorable public reception and to insure the full cooperation of all the appropriate governmental bodies of this area with the survey (concern having been expressed that the implementation of the Report could move in the direction of more Federal action where it is desirable that State and local governments should assume a greater part in meeting drouth problems);

iii) such final modifications as may seem necessary to the Cabinet and the President, based upon the reactions and comments from the consultations in subparagraph (ii) above (it being desirable that the specified consultation and modification be completed in time for the several affected States to arrange to consider their financial contributions to the survey at the January 1959 meetings of their respective State legislatures);

iv) a clear understanding that the survey organization is to be a study group for two years only, and is not to become an action or operating body;

v) the understanding that it is the President's aim that water resources projects should go forward only after each is demonstrated to be needed as part of integrated, coordinated, objective plans, and that the survey in question should provide such a plan for the drouth area (as defined above) as a basis for Federal water resources expenditures at approximately present total levels, rather than become the justification for substantially enlarged Federal expenditures.

b. Procedural matters of organization and financing are to be worked out between the Special Assistant to the President for Public Works Planning and the Bureau of the Budget in the usual way.

2. Saline Water Conversion

[Information Item Only]

3. Report to the Cabinet from the Interdepartmental Personnel Security Advisory Committee Regarding the Recommendations of the Commission on Government Security (CP - 58-84)

ACTION:

[See separate Cabinet Sec'y file: "SECURITY, Commission on"]

a. It was agreed that the Cabinet would not at this time go into detail in the report of the Personnel Security Advisory Committee as set forth in CP - 58-84, although there was no objection to section I-B of this paper.

b. Between now and the beginning of next year, the Personnel Security Advisory Committee is to have the assignment of considering legislative proposals in this field.

c. Any Member of the Cabinet or Agency Head wishing to propose legislation in this field is invited to do so through his representative on the Personnel Security Advisory Committee.

d. The Attorney General will consult with the Postmaster General and others concerning the Administration position on S. 1411.

ADDITIONAL ITEM:

A. The Secretary of State's Visit to Brazil

[Information Item Only]

Robert Gray
Secretary to the Cabinet

Approved by the President
August 18, 1958

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August 6, 1958

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THE CABINET

Agenda

EXECUTIVE SESSION:

9:00 AM

REGULAR SESSION:

9:10 AM

1.	Report on Long-Range Actions for the Western Drouth Area	CP - 58-62/2	The Special Assistant to the President for Public Works Planning
2.	Saline Water Conversion	(Oral)	The Secretary of the Interior
3.	Report to the Cabinet from the Interdepartmental Personnel Security Advisory Committee Regarding the Recommendations of the Commission on Government Security	CP - 58-84	The Attorney General

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

Suggested Presidential questions:

What is really determining the rate of progress in this program? Is it lack of money or equipment, or is it the inherent difficulty of the research itself?

Suppose we wanted to make an impressive offer to the friendly countries of the Middle East: to ~~[illegible]~~ cooperate with them in applying this new technology for the betterment of their peoples. Is this program at a stage where this could be done effectively?

Fred, this reminds me: what has happened to our Water Resources Report of 1955? It was full of recommendations about water resources, and made some organizational suggestions. What have we done about those recommendations?

What about the residuum after the water has been made fresh? I understand that the ocean is full of valuable minerals such as magnesium. Is there any economic mineral recovery aspect to large-scale saline water conversion?

How will the large-scale application of de-salinization equipment affect the allocation of water resources in the future. Will this mean re-designing of river diversions, dams and other water-works?

(For General Bragdon, Item 1)

John, your paper mentions legal problems and water rights (page 35). Last year ~~[illegible]~~ we approved a study here on the water rights problem specifically. What were the results of that study?

[Suggested "Pocket Brief" which Cabinet Secretariat might give the President for his use at the meeting.]

Not used.

August 7, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, August 8

Pursuant to your suggestion of last week, the meeting will start with a 10-minute Executive Session. For the regular session, the agenda is:

1. Report on Long-Range Actions for the Western Drouth Area (General Bragdon)

At the Cabinet meeting of February 27, 1957, General Bragdon was assigned the task of preparing a report on the above subject for Cabinet consideration. His report is now ready, and is attached under Tab 1. He will summarize this lengthy document in a visual-oral presentation, ending with the Recommendations put forward on pages 40-41.

2. Saline Water Conversion (Secretary Seaton)

You and members of the Cabinet have often expressed interest in what is going on in this promising field. This matter is especially timely in view of a Senate Resolution, now pending on the House floor, which will authorize an additional $10,000,000 for constructing five new experimental demonstration plants under this program.

3. Report to the Cabinet from the Interdepartmental Personnel Security Advisory Committee Regarding the Recommendations of the Commission on Government Security (The Attorney General)

The Commission on Government Security, chaired by Lloyd Wright, was chartered by Congress in 1955 and issued its 807-page Report on

June 21, 1957. You then instructed the agencies to submit their comments on the Report's recommendations to the Interdepartmental Personnel Security Advisory Committee (PSAC), chaired by the Justice Department.

The PSAC report proposes the positions the Administration should take with respect to the Wright Commission's Recommendations.

Robert Gray
Secretary to the Cabinet

August 8, 1958

MEMORANDUM FOR THE PRESIDENT

Dr. Flemming must leave the Cabinet meeting early today because of a hearing on the Social Security Act before Senator Byrd's Finance Committee.

Since Assistant Secretary Richardson must accompany the Secretary, Assistant Secretary Wilson is unavoidably out of town, and Under Secretary-designate Adkins has not yet been confirmed, Dr. Flemming will have no substitute to fill his chair.

Robert Gray
Secretary to the Cabinet

CP - 58-62/3

August 8, 1958

The White House

Washington

THE CABINET

Report on Long Range Actions for the Western Drouth Area

For information of the Cabinet, attached is the text of the visual-oral presentation on the above subject given at today's Cabinet meeting by the Special Assistant to the President for Public Works Planning.

This text is in effect a summary of the longer document dated August 6; it is circulated for the convenience of the Cabinet in discussing the recommendations being put forward.

Robert Gray
Secretary to the Cabinet

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August 8, 1958

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THE CABINET

Report on Long Range Actions for the Western Drouth Area

BACKGROUND:

After the President's visit to the drouth area in early 1957, the Secretary of Agriculture submitted a report to the Cabinet recommending certain actions to relieve hardships. The report was approved. At the same time, I was directed to consult agencies with respect to:

(1) Intermediate actions to relieve distress and stabilize economy of the drouth area.
(2) Long-range actions.
(3) Preparation of a set of recommendations for further consideration by the Cabinet.

INTRODUCTION

Agency reports indicated that each agency had undertaken all emergency measures possible within its authorities and each proposed continuation of its existing authorized programs, with special emphasis on drouth related features.

The emergency measures which totaled 3/4 of a billion dollars and the long-range programs such as: accelerated research and land classification, the Great Plains Agricultural Program, emphasis on irrigation and water supply projects, and the restudy of planned projects with a view to increasing conservation storage, -- all these are covered in the report before you and I shall not dwell on them.

All the proposals and other matter herein presented have been reviewed and discussed with the Federal agencies concerned.

An analysis of these plans and programs reveal no proposed action looking toward a unified, comprehensive, long-range solution to the drouth problem.

I shall concentrate on:

(1) The extent and severity of the drouth problem;
(2) The special characteristics of the drouth area;
(3) Need for a coordinating survey;
(4) A new approach to a long-range solution;
(5) Recommendation for action.

DESCRIPTION OF DROUTH AREA

Chart "Area Receiving Drouth Aid" is a map showing in brown an outline of the counties designated as eligible for relief in the recent drouth. The entire area embodies all or parts of 16 States. The States in the drouth area contain 53% of the land and 18% of the population and raise 60% of the wheat and 58% of the cattle in the United States.

CABINET PAPER
For Consideration

The Great Plains area, as designated under Public law 1021, 1956 is shown in blue. The Great Plains lies substantially between the eastern escarpment of the Rockies and approximately the 98th meridian.

The next chart shows the precipitation deficiencies in the drouth of 1933-37 in the blue shaded areas. The figures give precipitation shortages in percentages below normal for the five-year period. Superimposing the precipitation deficiencies below normal for the great recent drouth of 1952-56 as shown in the green shaded areas, points out that the southern half of the 16 State area is covered by the maxima of deficiencies of both drouth periods. This is the area of greatest drouth. It lies principally in Kansas, Oklahoma, Texas, Colorado, and New Mexico. This area also includes the "dust bowl of the Thirties."

CHARACTERISTICS OF DROUTH AREA

Chart "Duration of Recent Drouth" shows the variation in duration of the recent drouth in years in this southern area. The durations increase from north to south. It again illustrates that the southwestern portion is the area most severely affected.

Chart "Climatic Zones" shows the climatic zones of the central United States. Note the gradation from humid to subhumid to dry to semi-arid, using the nomenclature of the Weather Bureau. The "zero index line" separates the two westerly zones from the two easterly ones. This line signifies that in average years, west of the line there is a deficiency in the precipitation for meeting crop needs and east of the line there is a surplus. The "zero index line" follows roughly the 98th meridian and corresponds roughly with the eastern boundary of the "core" of the drouth area. The two western dry and semi-arid climatic zones coincide approximately with the area commonly called the Great Plains.

This area crosses the entire country from the Canadian border to the Mexican. It is not coterminous with any particular great river basin or river basins, nor with any State boundaries. It is a distinct physiographic and climatic zone. Its basic characteristics are its flatness and dryness which bind together the economy of the whole region in its requirements for adaptability to a way of life.

The Great Plains region is unique in these respects. A comparison of the Great Plains region with other regional areas in the United States brings this out sharply. For example, the region of the Pacific Northwest is identifiable with the basin of the Columbia River. The Great Lakes Basin or watershed constitutes a region of identifiable similar physical, climatic, and economic characteristics. On the other hand, the Great Plains cuts across the major basins of the Missouri River, the Arkansas and the Red Rivers. The western portions of these basins are more homogeneous with each other and the rest of the Great Plains drouth area than they are with the eastern portions of their own basins.

Chart "Major Texas River Basins" is a map of Texas with its major river basins. Note that the "zero index line" cuts across many of the Texas basins. The western portion of the Texas coastal river basins are in the dry climatic zones and differ, physically and climatically, from the remainder of the basin extending southeastward to the Gulf. Again, there is emphasized the fact that any analysis of the drouth area must be a regional one.

Chart "Annual Precipitation vs Wheat Yield per Acre" illustrates how speedily lack of rainfall is translated into lack of production. The yellow line is precipitation in inches and the green line is bushels of wheat per acre. A similar chart of dollars vs precipitation shows the same close direct relationship. In the "dry" zone of the Great Plains, a long continued wet spell tempts the people to adapt their crops and other ways of life to this wet condition with the result that when the dry years come the effect upon the people and their way of life is much more severe. In Arizona where it is always dry, the people have adapted their economy to normal dryness.

IRREGULARITY OF THE DROUTH PERIODS

Chart "Irregularity of Drouth Periods" reveals the irregularities in both intensity and duration of drouth over the last 65 years. The surpluses in precipitation are shown in green and deficiencies in red at four stations in the central and southern part of the drouth area. Note the choppiness of the graphs and also the irregularity in time intervals. This illustrates another characteristic as well as one of the difficulties of the whole problem, namely, that the problem is not merely the dry or sem-arid nature of the region but the fact that these variations follow no discernible pattern or periodicity. They are unpredictable.

An extract from a long-range 534-year record of wet and dry years revealed by tree rings in the drouth area goes like this:

Thirteen dry years followed by three wet years; seven dry years followed by three wet years; two dry years followed by four wet years; another eight dry years followed by a 33-year period which varied almost from year to year; and so through the 5-1/2 centuries. In any of these long wet periods the population could have adapted itself and its crops to water bounty -- only to have a long ruinous period follow. Truly this variation is unpredictable!

This phenomenon is another characteristic which binds the "core" of the drouth area together. This means that, if possible, the reserves of the people, financial and physical, should be greater and that their economy more flexible if stability is to be secured.

Summarizing at this point:

(1) The "core" of the drouth area constitutes a region bound together by its peculiar climatic characteristics;
(2) This region cuts across many major and minor river basins; any survey must be regional and not only of basin units;
(3) The irregularities of the variations in climate are unpredictable.

PROPOSED STUDY AREA

Actions toward stabilizing the economy should apply to the entire drouth area. However, in view of the tremendous extent of the region, an initial survey of the southern portion (most severe drouth area) shown on the chart "Proposed Study Area" could effectively point the way for solutions of the problems in the entire region.

Any works built or land treated in the upstream reaches of stream basins will affect the supply and quality of the water flowing downstream; any works undertaken in the downstream reaches must have some assurance of adequate water from upstream. The upstream portions of the rivers in this area are in the areas of most prolonged and severe drouths, whereas the downstream portions are in the eastern areas where rainfall is plentiful. Hence, studies must also provide for integration of subbasin units into basin units.

A logical "study area", as shown in red, would comprise substantially all of Texas, the Arkansas-White-Red basins, the Rio Grande Valley in the United States, and the Basin of the Kansas River. To embrace the lower portion of the rivers affected, the area would extend to the Missouri River below the mouth of the Kansas River and to the Mississippi River below the mouth of the Missouri River.

OVERLAPPING OF STUDIES OF FEDERAL, STATE, AND LOCAL AGENCIES

Chart "Overlapping Studies - Federal - State - Local" is a map outlining the study area on which is shown the "zero index line." Various agencies of State, local, and Federal Governments have been working on water resource studies, programs, and projects in this area. Starting with the States we have, first, those of two State Water Boards, Kansas and Texas. Secondly, we have local basin studies and major city and district projects. Next come the Department of Agriculture's projects; then those of the Bureau of Reclamation, followed by those of the Corps of Engineers. Lastly, we have certain interagency studies which overlap most of these.

Chart "Who and What are Involved" is a further illustration of activities and the agencies involved. Please note again the number of activities in which the State and local organizations are making independent or participating studies. The overlapping of efforts is apparent; not so apparent are the many gaps and deficiencies and the fact that there is no over-all coordination of this multiplicity of efforts.

EXAMPLE - TRINITY RIVER BASIN

Chart "Trinity River Basin - A Typical Problem" illustrates the conflicting water and land use planning in the Trinity Basin. The city and industrial communities have built or are planning many reservoirs. One provides transbasin imports. One outside city plans a transbasin export. When other agencies' planning and building programs are added, the total demand to meet future programs become in excess of supply. I do not know how great the deficiency is. I tried unsuccessfully to obtain these figures for this presentation. However, this I do know, that it will be impossible to meet all these demands or to bring them into balance without both a coordinating body and a coordinating method.

WHY A COORDINATING SURVEY

We have already referred to a logical "study area." In view of all the studies and activities outlined it is logical at this point to ask why anything else is needed. The answer is threefold:

(1) From a long-range viewpoint, as great a drouth or greater than that of past experience will probably occur, with its attendant misery, unless the people have adapted their means of livelihood better to meet the situation;
(2) There exists no coordinated and integrated survey nor means for conducting such a survey of this region;
(3) There exists no long-range plan bound to the peculiar economy of the region and no machinery for developing such a plan. By economy here is meant the entire breadth of all phases of the means of livelihood and the kinds of enterprises which will give the most suitable balance in meeting

the people's needs, desires and capabilities, and not merely the economy factors related to one particular functional activity.

The Missouri River Survey Commission found that the water resources program in that basin, "lacks the coordination and balance essential to genuine multi-purpose planning" and further, "The Commission has come to the conclusion that present measures of coordination cannot adequately .....develop a truly integrated and comprehensive plan for optimum basin-wide development correlating all the many policies of the government and the plans of the agencies that execute them....."

The Arkansas-White-Red Basin Interagency Report emphasized that because of the differing views between the agencies as to the applicability of existing guides to long-range planning, "the principles, procedures, and practices were applied largely in accordance with individual agency policies and interpretations" and that it did not endeavor to resolve controversial issues.

The Water Resources Bulletin of Kansas states: "The existing policy under which the government operates today has evolved through the years in piecemeal fashion with little or no attempt to coordinate the fundamental principles of the individual laws."

The Governor of Texas, with reference to the recent Texas "Mock-Up" Plan prepared by three Federal agencies with assistance of the State, stated: "The report can only be considered as the first step in the right direction." He stated further coordination will be necessary.

We have recently consulted with eight experts who are intimately acquainted with this region and who hold prominent positions in its development. Most were at the Wichita conference. They include Directors of State Water Boards, the State Engineer of one of the States, a Dean of a State College of Agriculture, an industrialist, and private consulting engineers. They are from the States of Texas, Oklahoma, Kansas, Colorado, and New Mexico. They are unanimous in the belief that coordination of efforts and a new type of integrated approach to the problem are needed.

I will now outline a method for working out an integrated plan fitted to the economics of the region.

SUBBASIN AREAS AS UNITS

If we are to make the natural physical and economic conditions of the region the basis of our studies, we shall have to choose units which have similar natural and economic characteristics. Hence, since our "zero index line" of climatic differentiation cuts all basins, our approach must be that of subbasin area units, the subbasins being chosen because of their natural homogeneous semi-arid and economic characteristics. The analyses of subbasin units' supply and needs must (a) evaluate and balance them for each entire basin as a unit, and (b) also adjust them with the needs of adjacent basins involved in the regional economy.

We found that the first steps of this type of approach are being made by the State of Kansas. Chart "The Subbasin Area Unit for Survey and Planning" is taken from the Kansas water study now proceeding and shows the subbasin area units they are using. The subbasins to the west of the "zero index line" indicated are in the "core" of the drouth area. They would be identified with the integrated study of the drouth area. Subunits to the east of this line would be identified with analyses and solutions for the basins of which they are subdivisions. I have just learned that the State of Texas is initiating similar Water-Budget Subbasin Studies for its river basins.

"WATER-ECONOMIC" BUDGETS

The term "water-economic" budget as used herein connotes a balancing of the economy of an area with respect to water availability and other economic segments thereof.

The key device for the analysis of each subbasin area would be (a) the making of a "water-economic" budget for present conditions, and (b) the creation of future "water-economic" budgets based on (1) present sources of supply, (2) degree of possible future augmentation of supply, and (3) choice of economy for each region to best use the supplies which it can secure.

Chart "Present 'Water-Economic' Budget" illustrates a hypothetical present "water-economic" budget. It shows the present water supply. Its components are the amount available for crops and grazing from precipitation falling on the land devoted to these two purposes; the amount of surface water flowing in streams and available for use; and the available ground water.

The demand bar shows the segments of the economy and the amounts of their present requirements. These segments are crops, grazing, irrigation, industrial, and domestic, including municipal.

The difference is the shortage, whether of precipitation for crops and grazing and of surface flow or ground water supply. This illustrates the type of unbalance which a water inventory in the dry region of the drouth area would reveal.

ALTERNATES FOR FUTURE ECONOMY

Chart "Future 'Water-Economic' Budget" illustrates the making of long-range future "water-economic" budgets. No survey that we know whether Federal or State has reached this step. The present supply is built up by augmentations by such measures as reduction of waste, reduction of evaporation, land treatment, changed land use, new storage, new wells, reduction of mineral content, and recharging of underground aquifers. Result: The total possible future supply upon which to plan.

Two alternates of future "water-economic" budget or balancing between needs and supply are illustrated. Alternate No. 1 is a future "water-economic" budget distributing the future possible supply to take care of crops and grazing, maximum irrigation, moderate industrial use, domestic and municipal water. Alternate II as compared with Alternate No. I is oriented toward a less allowance for crops and grazing with the share of grazing increased, limited irrigation, provision for some releases for power and navigation, and a greater industrial use and a greater forecast of domestic and municipal demands.

Emphasis here should be on choice, the fact that there may be alternates. Too often a region or a basin is offered one plan for its development along a single functional line. The people of each region, basin or subbasin should, within reasonable limits, be permitted to make a choice within the potentialities nature has given it for its future economy. They are entitled to the best plan, not the next best, -- a balanced plan and not one in which a single function dominates. In addition, the plan of any subbasin must be integrated into the plan of a whole basin and in turn its best plan may have to be modified in order not to impair or harm the legitimate aspirations of other basins or regions.

EXAMPLES OF CHOICE

To give concrete examples of choice, a subbasin and basin "water-economic" survey should reveal from an analysis of the alternate potentialities whether it is worthwhile to provide minimum flows for navigation or power development downstream or whether the water is more valuable for beneficial consumptive uses upstream.

A "water-economic" survey must help decide whether it is more important to utilize certain quantities of a subbasin's water supply potentials for new industries rather than to provide water for additional crops and pastures either by irrigation or by land treatment measures; and what types of industry are suitable to these semi-arid regions.

Again such a survey must analyze whether it is worthwhile to attempt to recharge underground reservoir storage (aquifers) or whether under the accepted probability of exhausting underground storage, to deliberately "mine" it for a period of, say, three or four decades, with a view later to changing the economy to one requiring less water. New Mexico made the latter choice and is knowingly proceeding to "mine." The cost of recharging as an economic proposition may be prohibitive.

Again with respect to crops, any regional economy that has to be supported is generally suspect as to whether it has a weak or unstable economy; the reasons why it has to be so supported should be investigated. The dean of one of our outstanding colleges of Agriculture believes that it is the land use question in the Great Plains which is at the heart of the problem. In other words, choice should be made as to whether there should be a change from one type of crop to another type requiring less water, or from crops to grazing; if grazing areas are to be increased, what types of grasses are available and most suited.

Chart "Steps of Survey" summarizes the steps of the method outlined:

(1) For each Subbasin Present "Water-Economic" Budgets would be prepared;
(2) For each Subbasin Alternate Future "Water-Economic" Budgets would be developed and choices made;
(3) Future Subbasin "Water-Economic" Budgets would be adjusted with those of adjoining subbasin areas to obtain integrated Basin Budgets;
(4) Similarly, Basin Budgets would be adjusted and integrated to obtain coordinated State and Regional Drouth Study Area Plans;
(5) From these over-all plans, Federal, State, and local action programs would be developed.

THE END PRODUCT

The end product would be a basic economic plan, for the region, for each basin, and for each State which would provide (1) for development of all feasible additions to water supply; (2) for adjustment of the segments of the economy as the people of the parts of the basin elect, balanced and adjusted within basins to the needs of all areas and to the available water supply; and (3) a general summary of the works needed. Individual projects would not be pinpointed but their quantitative requirements and approximate locations would be estimated. The extent of land treatment, land use changes, amounts of over-all water storage, new industrial fields and their locations would be only approximately determined.

Such a truly integrated survey has never been made. It insures local participation from the start. It would be a new approach to combination economic and water development studies. We found complete unanimity as to its soundness and desirability. It could save many millions in avoidance of unsound activities.

AVAILABLE DATA

The basic data now available from past studies in this region could all be used. If all the basic data for such a study had to be collected, it would require extensive field investigations and compilations. Such additional studies as required would be primarily those wherein the economics and the peculiar characteristics of the region and its growth potentials have not sufficiently been taken into consideration.

FEDERAL LEADERSHIP - STATE AND LOCAL DECISION AND COLLABORATION

To effect such a study Federal leadership is necessary because it must be regional and involves many great basins and many States. The collaboration and approval of the State Governments concerned would be first sought, since the basic decisions as to future economic patterns and water budgets would be made by the States and their communities. Active participation by their agencies, by local agencies and by basin committees now working in this field would be established. Liaison with State and local authorities would be achieved through existing Federal interagency committees wherever they are established.

PROPOSED ORGANIZATION FOR THE SURVEY

Chart "Organization for Survey" outlines an organization. It would be under a Board of three persons, non-Federal, appointed by the President, -- men who are pre-eminent in the fields of public economic development. At least two of these should be from the drouth area. The chairman of this Board plus an executive director and a small staff should be full time. The staff would be composed of technical experts, local, State and Federal. The Board would have the authority to request and receive advice, data and assistance from local, State and Federal agencies. The Board would formulate policies and coordinate all operations of the Survey. It would formulate and prescribe the scope, fundamental principles, procedures, and methods and guides for the conduct of the Survey. The Board would organize the subbasin area survey staffs which in turn would have Federal, State and local experts. To the extent practical, the chairman of subbasin staffs would be State or local experts. It would also organize special task forces to make research on such matters as listed earlier under augmentations - for examples land use changes, best types of crops and grasses, and new appropriate industries.

The assistance of the Federal Government would be largely technical, organizational and coordinative. The Federal agencies would continue to formulate action plans conforming to the integrated regional plan. None of their functional operations would be disturbed.

STATE AND LOCAL ADVISORY GROUPS

An important element would be an advisory group with members from all segments of the economy, -- crops, grazing, mining, industry, municipal development, and public administration and from all State and local governmental agencies. The subbasin and basin staffs would have similar advisory groups.

ESTIMATE OF TIME AND COST

It is estimated that such a study would require two years and that its cost to the Federal Government for the staff nucleus would be $950,000, spread over the two years. The participation by State and local components in the form of services and funds would probably exceed this. It is suggested that the Federal portion be financed out of Special Project Funds appropriated to the President, with a small amount allotted to initiate the work in fiscal year 1959 and with the balance coming from succeeding budgets.

The survey could later be extended to include the northern five States of the Great Plains. This might be found desirable after initial organization and study operations were under way in the "Study area."

No continuous progression can be made which is kept tied rigidly to an original plan. The Board should arrange that upon the completion of the survey and report, to set up a continuing organization composed primarily of State and local officials and under State or interstate leadership to keep the basin's economic plan in tune with growth. There should be representation of the Federal agencies in such a group.

Finally, the report should receive the approval of Congress and the States concerned as the basic economic plan for the region.

As alternatives, it has been suggested (A) that the survey be made by one of the agencies; (B) that it be made jointly by the Federal agencies under the auspices of the Interagency Committee; and (C) that it be made by the States concerned.

To have one agency spearhead such a survey could not help but subject it to the accusations that its basic functional approach and the use of its policies and procedures were being favored. No other agency would be satisfied with the findings of any other with respect to its functions as established by law. The local governments would view it as a unifunctional Federally dominated study and not the over-all economic study which is required.

As to an Interagency Committee survey, (1) it would also be tagged as Federal by the State and local governments; (2) it would still be tied to the water function aspects in lieu of the economic base required; (3) interagency surveys have not been effectual in the past; and (4) the very laws, policies, and procedures of the agencies themselves preclude effective collaboration in the absence of an effective coordinating authority not now existing.

To propose that the States initiate and make such a survey is wishful thinking. The Council of State Governments in 1957 reported that it was unfortunate that not only was the mechanism for over-all water resource planning usually lacking, but even voluntary methods of coordination between water agencies (meaning those of the States) are extremely limited.

Since the problem is basically economic and social as well as one of water, and since it is regional, I believe the method proposed almost the only type of study which could attack the problem effectively. It would not conflict with the recommendations of the President's Advisory Committee on Water Resources Policy. The method itself requires local participation from the beginning. It forces coordination through its organizational setup.

RECOMMENDATIONS

I recommend: (1) A survey to develop a basic regional integrated "Water-Economic" budget plan for the southwest area to include the southern half of the drouth area based on principles of this report; (2) that a Board, to be known as the Drouth Survey Board, consisting of three members appointed by the President, be established to supervise and conduct such a survey; and (3) that upon completion, the results be furnished to the Congress and to the State Governors for their use, with the objective that it may become the basis for the future development of the region.

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CP - 58-62/2

August 6, 1958

The White House
Washington

THE CABINET

Report on Long-Range Actions for the Western Drouth Area

For consideration by the Cabinet, attached is a copy of the Report prepared by the Special Assistant to the President for Public Works Planning, pursuant to the assignment made in Cabinet Record of Action 57-68, Item 3(c).

An earlier version of this Report has been furnished the Departments most concerned. Departmental comments were invited and have been received; the attached paper has been revised after taking these into consideration.

This Report will be summarized at the coming meeting of the Cabinet by means of a visual-oral presentation.

The attention of members of the Cabinet is called to the Recommendations which appear on pages 40 and 41.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Consideration

I. BACKGROUND AND AUTHORIZATION

A. Historical

The Great Plains and adjoining areas were subjected to a severe drouth in the early 1950s. By the fall of 1956 it had reached disaster proportions. Human suffering and economic distress were widespread. The depressing effects were becoming of national concern. The Federal Government recognized the need for a re-evaluation by all levels of government of measures being taken not only to assist in alleviating suffering but also to prevent or mitigate the damaging effects of future drouths.

The President in January, 1957, visited some of the stricken areas and together with the Secretary of Agriculture held a special meeting in Wichita, Kansas. This meeting was attended by individuals from the 16 States in which certain counties had been designated by the Secretary of Agriculture as being eligible for drouth disaster relief and by representatives from Federal and State Government agencies. These persons were specifically selected because of their special knowledge or concern with the drouth problems.

Statements of recommended principles and procedures to help guide programs and actions looking toward the cushioning of the effects of the then existing and future drouths were solicited from Federal, State, local and private representatives.

The Secretary of Agriculture summarized the results of the meetings in his report which was transmitted by the President to the Congress on March 5, 1957. The President emphasized the need for continued attention to the long-range programs.

B. Cabinet Directive

The Cabinet at its meeting on February 27, 1957, with the approval of the President, concurred in the report of the Secretary of Agriculture and made the following assignment:

> "c) The President's Coordinator for Public Works Planning was requested:
>
> > "i) To call upon each interested agency for an itemization, by March 15, of the actions which it has already taken, and recommends be taken in the immediate future, to relieve the distress and stabilize the economy of the drouth area.

"ii) Further to call upon each interested agency for a report, by March 15, of the intermediate and long-range actions in the fields of economic stabilization and particularly of water resources management, which it believes should be taken in areas and river basins affected by the drouth.

"iii) To integrate these individual reports and, in consultation with the interested agencies, to prepare a set of recommendations for further consideration by the Cabinet."

In accordance with this directive the agencies reported to the Coordinator of Public Works Planning in the spring of 1957. When the agency reports were being compiled and recommendations prepared for further consideration by the Cabinet, record flood flows occurred over parts of the area and the local anxiety over the drouth problems generally vanished. In recent months it has become evident that concern over the long-range drouth problem was being revived and that a more detached and objective analysis of the situation was now possible and necessary. The Assistant to the President recently directed that my report be completed and presented to the Cabinet.

Reports from the Federal agencies bringing the 1957 data up to date have been obtained. The data and proposals contained herein have been reviewed and discussed with representatives of the Federal agencies primarily involved. Consultations have been held with Wichita meeting leaders from the five States which suffered the most from the drouth -- Texas, Colorado, Kansas, Oklahoma, and New Mexico. The views of other non-governmental authorities on the subject have also been obtained. This report reflects the consensus of these views.

II. STATEMENT OF THE PROBLEM

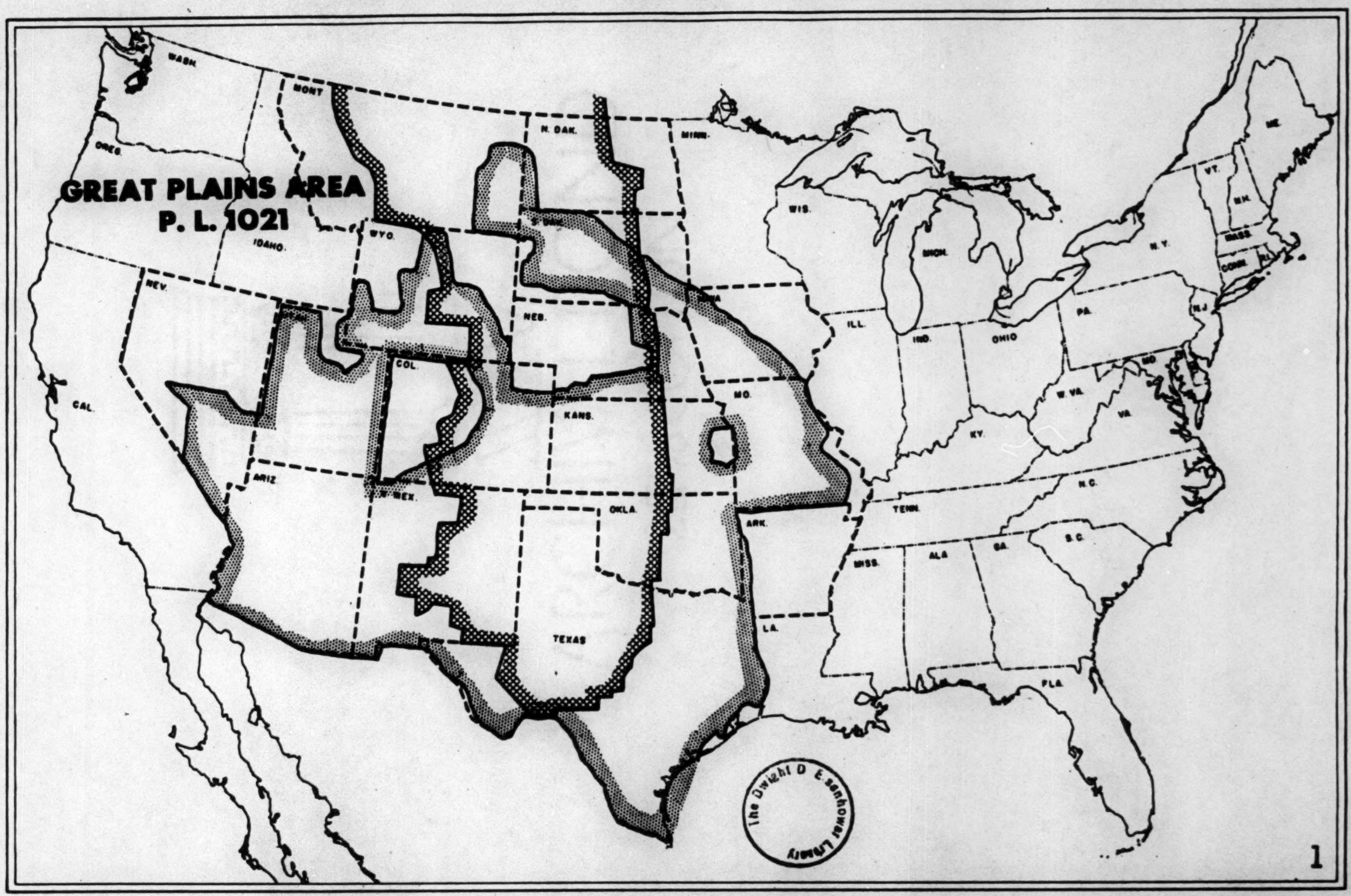
A. Nature and Extent of Area Subject to Drouth Damage

1. General Geographic Extent and Climatic Conditions

The problem area considered herein included the 16 States which had received drouth assistance at the time of the Wichita meeting as shown on Chart 1, "Area Receiving Drouth Aid."

This vast productive empire, substantially agricultural in nature, is subjected to extended periods of extreme lack of rainfall which recur

AREA RECEIVING DROUTH AID


GREAT PLAINS AREA
P. L. 1021
WASH.
OREG.
CAL.
NEV.
IDAHO
MONT
WYO.
COL.
ARIZ
N. MEX.
N. DAK.
NEB.
KANS.
OKLA.
TEXAS
MINN.
WIS.
MO.
ARK.
LA.
ILL.
IND.
MICH.
OHIO
KY.
TENN.
MISS.
ALA
GA.
S.C.
N.C.
W. VA.
VA.
MD
PA.
N.Y.
N.J.
VT.
N.H.
MASS.
CONN.
R.I.
ME.
FLA.
1

from time to time and which cause widespread crop failures and damaging dust storms. Alternately, the area is plagued by severe floods which cause havoc, destruction, human suffering, and loss of life. There is little prospect of material human control of extreme climatic variations. These vicissitudes of nature cannot be prevented. However, their damaging effects can be minimized through the best utilization and management of available resources, particularly land and water, so that its economy can be geared to its long-range potentials, as well as its periodic limitations, and the flood waters can be controlled and conserved for later use.

The extremes in climate affect the local economy most acutely in the Great Plains region, which is also shown on Chart 1. This well-known principal physiographic region is the dry and semiarid region spanning our nation from Canada to Mexico. It was originally delineated and made the subject of special local study by the Great Plains Agricultural Council, organized some 20 years ago. It consists of parts of ten States, lying substantially between the eastern escarpment of the Rockies and approximately the 98th meridian and centering along the 103rd meridian. While producing some 60% of the nation's wheat and 35% of its cattle, it has a long history of hazards for agriculture.

2. Population

The 16-State drouth problem area has only 18% of the United States population living on 53% of the U. S. land area. It has 19 persons per square mile -- only 1/3 of the U. S. population density of 56 persons per square mile (1956).

Determinations as to the future population that the drouth area can sustain is one facet of the problem. If current trends continue undisturbed, it is estimated that the population will increase another third by 1975, slightly less than the estimated rate of increase for the entire U. S. (1956).

As would be expected, the proportion of urban population in the drouth area (54%) is considerably smaller than the proportion for the nation as a whole (64%). In the drouth area, 23% of the population was farm in contrast to only 15% for the U. S. (1950).

The drouth area population increased 9% while the United States population increased 14% from 1940 to 1950. The population growth in the drouth area is taking place in the cities rather than in the country. Many of the nation's most rapidly growing cities are in the area. The urban population increased 34% from 1940 to 1950 as compared with an increase of only 19% for the nation as a whole. The farm population declined 28% from 1940 to 1950 as compared with a 24% decline for the United States. The out-migration of young adults from the problem area States was especially high.

Migration from the farm is expected to continue. At least 35% of the young men reaching working age during the period 1950-1960 will have sought work off the farm. For every 100 farmers who die or reach retirement age, 155 young farm youths will have become of age to take their places during the 1950-1960 decade, assuming no migration to or from the farm. A comparable replacement ratio in the U. S. is 168.

The large decline in the farm population and the heavy out-migration, especially of young adults, from drouth area States pose problems of general and vocational education, of retraining, and of adaptability to new jobs and new community settings. Especially evident is the need for careful consideration of continued migration of farm youths to non-farm jobs.

3. Economic Activity

The basic income of the drouth area comes from stock raising, crop agriculture, forestry, and mining, including petroleum. All are intimately tied to the natural resource base. As such, these major sources of livelihood are continually subject to the severest tests of nature -- drouths, tornadoes, floods, and blinding blizzards.

Persons engaged in agriculture, forestry, and fisheries constitute one-fifth of the employed persons in the drouth area, wholesale and retail trade another fifth, and manufacturing about one-seventh.

Residents of the 16 States in the drouth area account for one-third of all persons employed in agriculture, forestry, and fisheries and 28% of those employed in mining. They make up only 10% of all the manufacturing employees in the U. S. They account for 17% of all persons employed in the United States.

Within the drouth area, a higher proportion in the West North Central States are in agriculture, while a higher proportion in the Mountain States are in mining, including petroleum. During the recent drouth, income from petroleum helped to offset the loss in income from drouth-stricken agriculture.

In wet years the drouth area contains some of the larger, more prosperous farms and ranches of the nation. During drouth years, desiccation of the land shrinks the effective size of farming operations. The problem is sharp fluctuation in water and income rather than chronic low income. Even during the recent drouth, the area did not meet the criteria for sustained low income farm areas used under the Rural Development Program.

The median family income for the States in the problem area runs slightly below the median income for the entire country.

Prevalent fiscal, credit, and tax policies assume a fairly steady income. They have been transplanted from humid areas to the semiarid problem area where they are maladaptive in the face of a fluctuating income base.

During the last two generations, exterior influences have had significant effects on development of agricultural patterns in the area. Two World Wars and the Korean conflict encouraged production of cultivated crops in questionable areas to meet world food needs. With the aid of more than the usual amount of rainfall, and Federal assistance, it was found profitable to adopt this form of land use for reasonably short periods of time. As years of reduced precipitation returned, declining production occurred, and painful readjustment resulted, often requiring outright disaster relief measures in some areas to maintain a bare subsistence.

4. Social and Political

The extreme climatic variations also impose limitations and challenges on the social and political institutions of the drouth area. Many of these institutions have been imported from humid areas and may not be particularly suited to semiarid conditions.

The low population density tends to reduce the number of people who can participate in and financially support the affairs of the traditional-sized county, township, or school district.

Cyclical fluctuations in income impose hardships on the many who try to live continually by the rules of a cash economy which makes few concessions to fluctuations in income. Governments collect taxes in lean as well as fat years; organizations do not waive their dues; families persist in their desires for new cars.

B. Frequency and Severity of Drouth

1. Cause and Critical Severity of Drouth

In the broadest sense, any lack of water for the normal day-to-day needs of agriculture, livestock, industry, or the human population in any area may be called a drouth. The cause may be lack of supply, inadequate conveyance facilities, or abnormal demands.

When there is no obvious solution like providing more wells, bigger pumps, larger pipes, or additional surface reservoirs, a drouth becomes a serious problem for the area which has not adjusted to living with a limited water supply. When a large area is thus affected for an extended time, the problem becomes a disaster. Such a disaster occurred on the Great Plains and adjacent areas in the mid-thirties and again in the early fifties. When an area cannot develop additional dependable water supplies, it must adjust its economy to live within its means.

Precipitation deficiencies in the 1933-37 drouth extended over the area shown on Chart 2. An oval-shaped area of 6700 square miles in westernmost Oklahoma and northwestern Texas had a precipitation deficiency of 46% over the five-year period. The regions having 30% to 40% precipitation deficiency in Texas, New Mexico, Colorado, and Oklahoma, and southern Kansas were known as the "Dust Bowl."

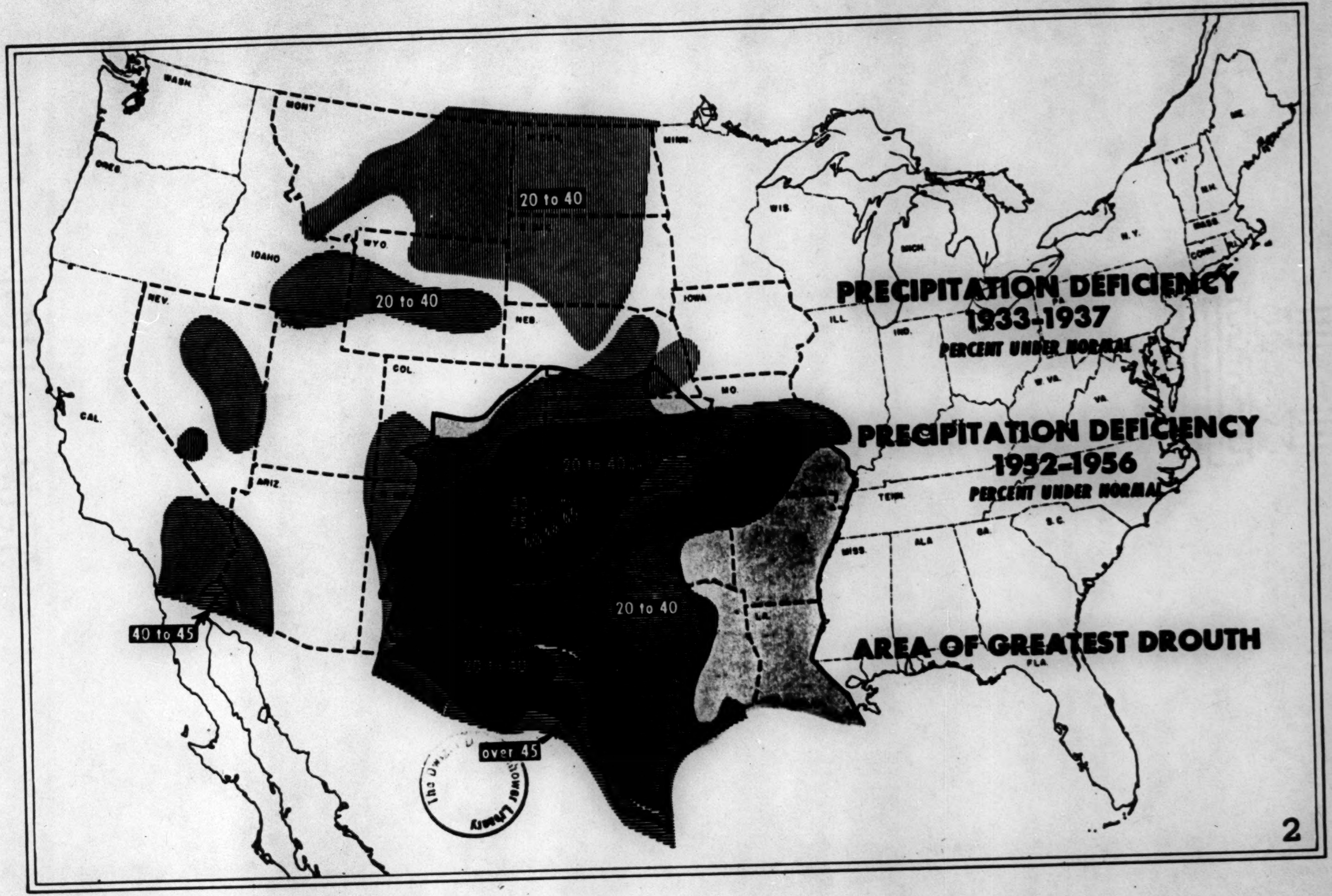
The 1952-56 drouth brought even greater deficiency in precipitation and spread over a larger area, as also shown on Chart 2. Four areas had a total deficiency in precipitation of 40% to 45% below normal. The largest covered 46,500 square miles in south central Texas; the second largest, 16,700 square miles in south central Kansas. The region in which the average precipitation deficiency was between 30% and 40% below normal lay in four separate areas and seven States.

2. Area of Greatest Drouth

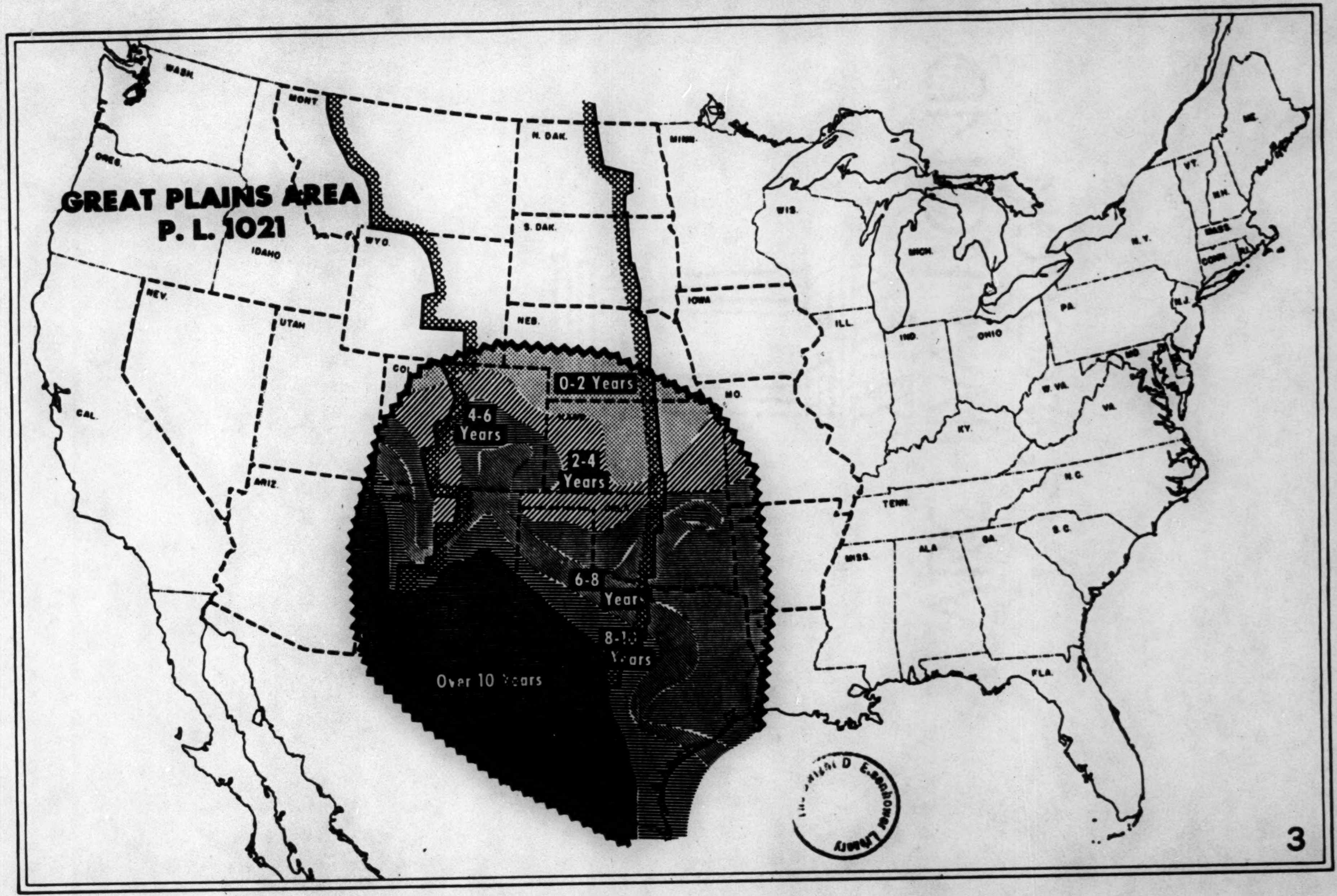
By combining the 20% and 40% deficiency lines, an area is defined which has suffered the greatest combined lack of precipitation during the two most recent severe drouths, as shown by the black line on Chart 2. This area falls in the river basins between the Rockies and the Mississippi and from the Rio Grande north to the Missouri and the Republican-Kansas River along the northern border of Kansas. It lies in the southwest portion of the drouth area, principally in the States of Kansas, Oklahoma, Texas, Colorado, and New Mexico. Further evidence that this is the area of greatest drouth is found by examination of data on deficiency of runoff for the 1952-56 period; this follows closely the deficiency in precipitation.

3. Duration of Recent Drouth

On Chart 3, "Duration of Recent Drouth," is shown graphically the duration in years of the recent drouth in various parts of the southwest.


PRECIPITATION DEFICIENCY
1933-1937
PERCENT UNDER NORMAL
PRECIPITATION DEFICIENCY
1952-1956
PERCENT UNDER NORMAL
AREA OF GREATEST DROUTH
20 to 40
20 to 40
20 to 40
20 to 40
40 to 45
over 45
WASH.
OREG.
CAL.
IDAHO
MONT.
NEV.
WYO.
ARIZ.
COL.
NEB.
MINN.
IOWA
MO.
WIS.
ILL.
IND.
MICH.
TENN.
MISS.
ALA.
GA.
S.C.
LA.
FLA.
W. VA.
VA.
N.Y.
VT.
N.H.
MASS.
CONN.
ME.
2

DURATION OF RECENT DROUTH


GREAT PLAINS AREA
P. L. 1021
0-2 Years
2-4 Years
4-6 Years
6-8 Years
8-10 Years
Over 10 Years
WASH.
ORE.
CAL.
IDAHO
NEV.
MONT.
WYO.
UTAH
ARIZ.
COL.
N. DAK.
S. DAK.
NEB.
MINN.
IOWA
MO.
WIS.
ILL.
MICH.
IND.
OHIO
KY.
TENN.
MISS.
ALA.
GA.
FLA.
S.C.
N.C.
VA.
W. VA.
PA.
N.Y.
N.J.
MD.
VT.
N.H.
MASS.
CONN.
ME.
3

It varied from two years in central Kansas to more than ten years in the southernmost parts of Texas and New Mexico. In most of the area where it was most severe the duration was four to six years. The duration increased as one proceeded from north to south.

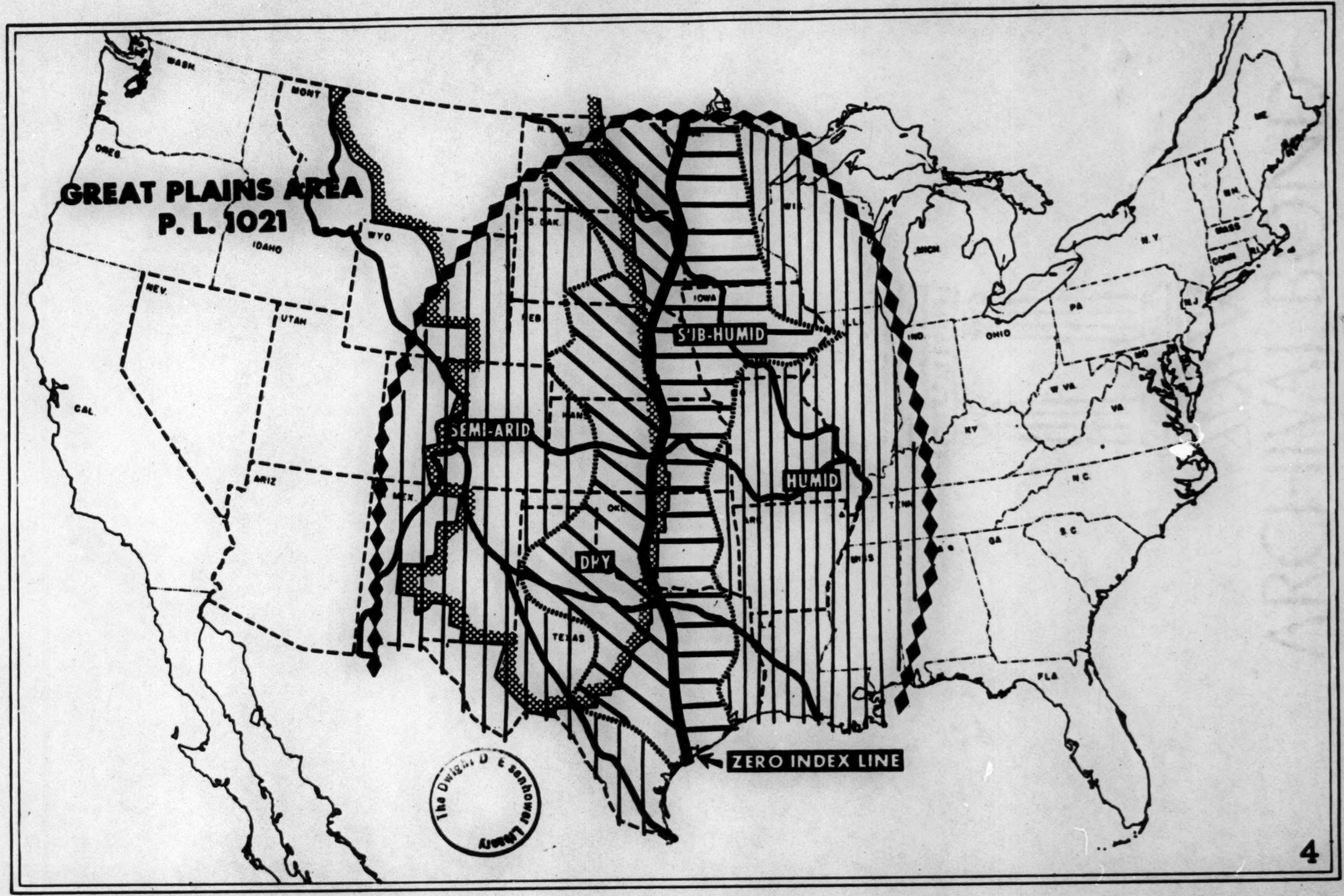
4. Climatic Zones

Extreme drouths, caused by insufficient precipitation coupled with high evaporation, occur periodically in most of the country west of the Mississippi. Their duration and intensity increase in a westerly direction to the foothills of the Rockies and pose problems which vary widely with the different natural climatic zones. Chart 4, "Climatic Zones," shows the limits of the principal climatic zones for average conditions. It illustrates the gradation from humid to sub-humid, to dry to semiarid. These limits may shift eastward the full width of a zone during a prolonged drouth, or westward the same distance during a period of excess rainfall. These climatic zones are determined by the relation between the average precipitation and the average evaporation losses from the soil or vegetation. In the two eastern zones the average precipitation is greater than these losses; in the two western zones it is less. The divide between these regions may be referred to as the "zero index line." It follows roughly the 98th meridian and corresponds approximately with the eastern boundary of the "core" of the drouth area. Naturally in these western zones the effects of any precipitation deficiency are felt sooner and hence there is a greater impact on crops and grazing than similar deficiencies farther east where the normal precipitation is in excess of needs for plant growth and evaporation from the soil.

The climatic features also follow the lines of main rise in elevation from the Mississippi River on the east to the Rocky Mountains on the west.

As previously stated, drouth is not ordinarily a continuing major problem in the two eastern humid or sub-humid zones. Neither is it of serious concern in the more western arid zone where the economy is adapted to the desert. The major problem area is the semiarid band just west of center since it is, in fact, alternately humid and arid. It is not half-dry or half-wet, but sometimes very dry and sometimes extremely wet. Sometimes it is dry or wet at the wrong times for agriculture. There is no other exactly similar area in the United States. It is difficult to strike a balance in the type of land and water use which would be required to permit a sustained indigenous economy to exist in the area. There is a tendency to swing too far in the direction of an

CLIMATIC ZONES


GREAT PLAINS AREA
P. L. 1021
SUB-HUMID
HUMID
SEMI-ARID
DRY
ZERO INDEX LINE
WASH.
MONT.
OREG.
IDAHO
WYO.
NEV.
UTAH
CAL.
ARIZ.
N. MEX.
S. DAK.
NEB.
KANS.
OKLA.
TEXAS
IOWA
WIS.
MICH.
ILL.
IND.
OHIO
PA.
N. Y.
VT.
N. H.
ME.
MASS.
CONN.
N. J.
MD.
W. VA.
VA.
KY.
TENN.
N. C.
S. C.
GA.
ALA.
MISS.
ARK.
FLA.
4

entirely humid economy when adequate precipitation is available or an arid economy when drouths occur. Such a feast or famine approach is not conducive to the adoption of practices best suited to the long-range use of the area.

5. Peculiarities of Great Plains Region

The two western climatic zones shown on Chart 4 are generally the same as the Great Plains region. This area crosses the entire country from the Canadian to the Mexican border and is not coterminous with any particular State or group of States or with any great river basin or river basins. It is a distinct physiographic and climatic zone. Its basic characteristic is its flatness and dryness which binds together the economy of the whole region in its requirements of adaptability to a way of life.

The Great Plains region is unique in these respects. A comparison of the Great Plains region with other regional areas in the United States brings this out sharply. For example, the region of the Pacific Northwest is identifiable with the basin of the Columbia River. The San Joaquin-Sacramento River Basins of California are identifiable with the region known as the Central Valley, and in this case the region lies entirely within a single State. The Great Lakes Basin or watershed constitutes a region of identifiable similar physical and climatic characteristics. On the other hand, the boundaries of the Great Plains are not so identified. Furthermore, except for snow melt and during abnormally wet periods, the dry to semiarid climate produces no large flows in its rivers, and most of this region has and will retain a dry-land economy.

6. Texas River Basins

Chart 5, "Major Texas River Basins," is a map of Texas with its major river basins. Note that the "zero index line" cuts across the centers of the large rivers of northeastern Texas as well as of the Arkansas-White-Red basins to the north. The western portion of the north Texas coastal river basins are in the dry climatic zones and differ, physically and climatically, from the remainder of the basins extending southeastward to the Gulf. This re-emphasizes the fact that any study of the drouth area must be a regional study covering many basins.

7. Frequency of Drouths

Periods of excess and deficient precipitation for four representative localities in the drouth area over the last 70 years are shown on

MAJOR TEXAS RIVER BASINS

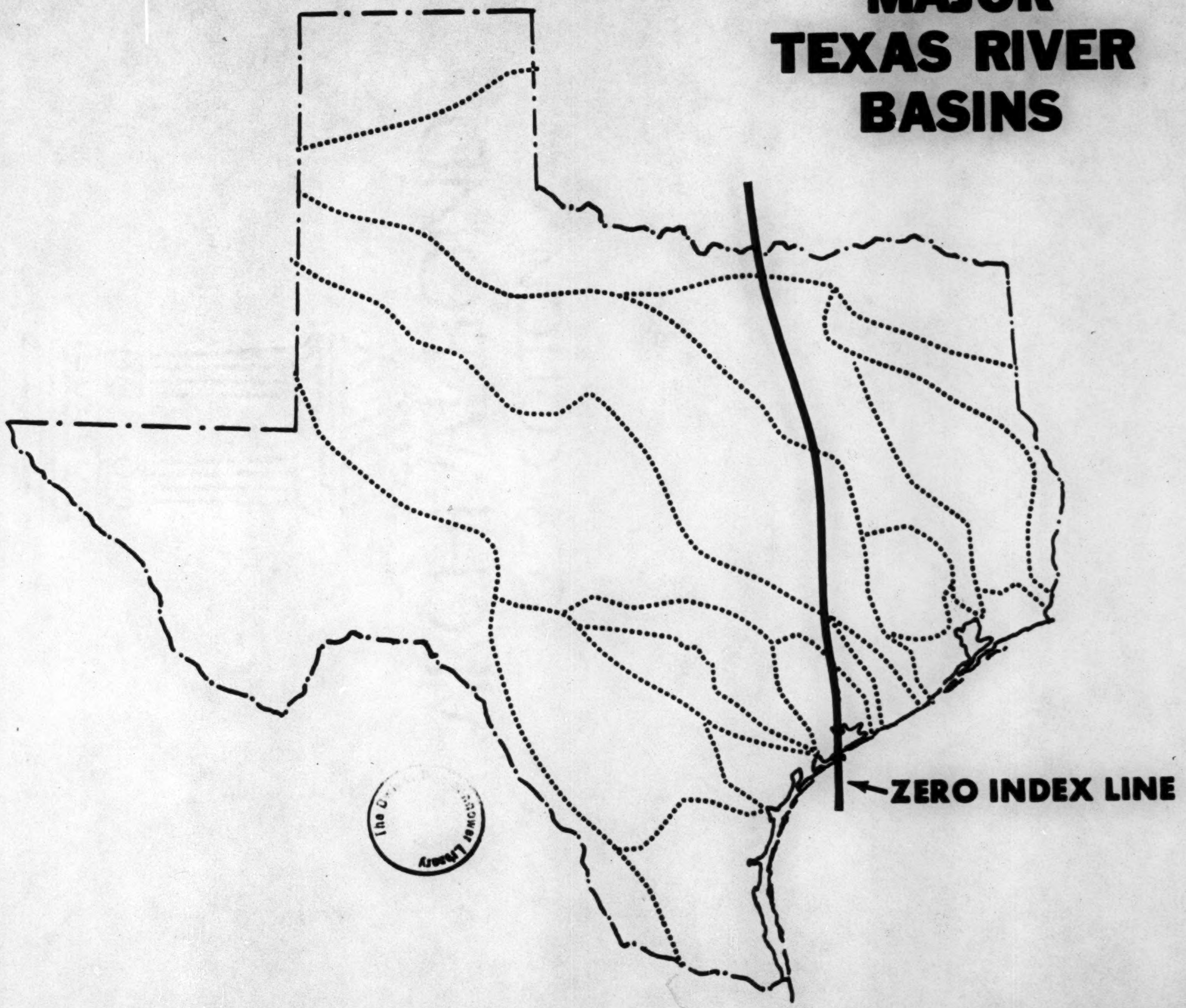

ZERO INDEX LINE

Chart 6, "Irregularity of Drouth Periods." The major areas showing deficiency indicate generally the duration and frequency of historic drouths. A comparison of these charts, and similar data for stations farther north, will show that intensities of the shortages increase as one proceeds south. This provides still further corroboration that the southern part is the area of greatest and most frequent drouths.

Note the choppiness of the graphs and also the irregularity of time intervals. This illustrates one of the difficulties of the whole problem, namely, that it is not merely the dry or semiarid nature of the region but the fact that these variations follow no discernible pattern or periodicity.

Records of the Great Plains list seven severe drouths in the past century: 1865-75, 1890-95, 1901-04, 1910-14, 1920-25, 1933-40, and 1952-56. The U. S. Weather Bureau indicates that the severity of the most recent one has not been exceeded in most States since the beginning of reliable records.

An extract from a long-range 534-year record of wet and dry years based on a study of tree rings in the drouth area goes like this:

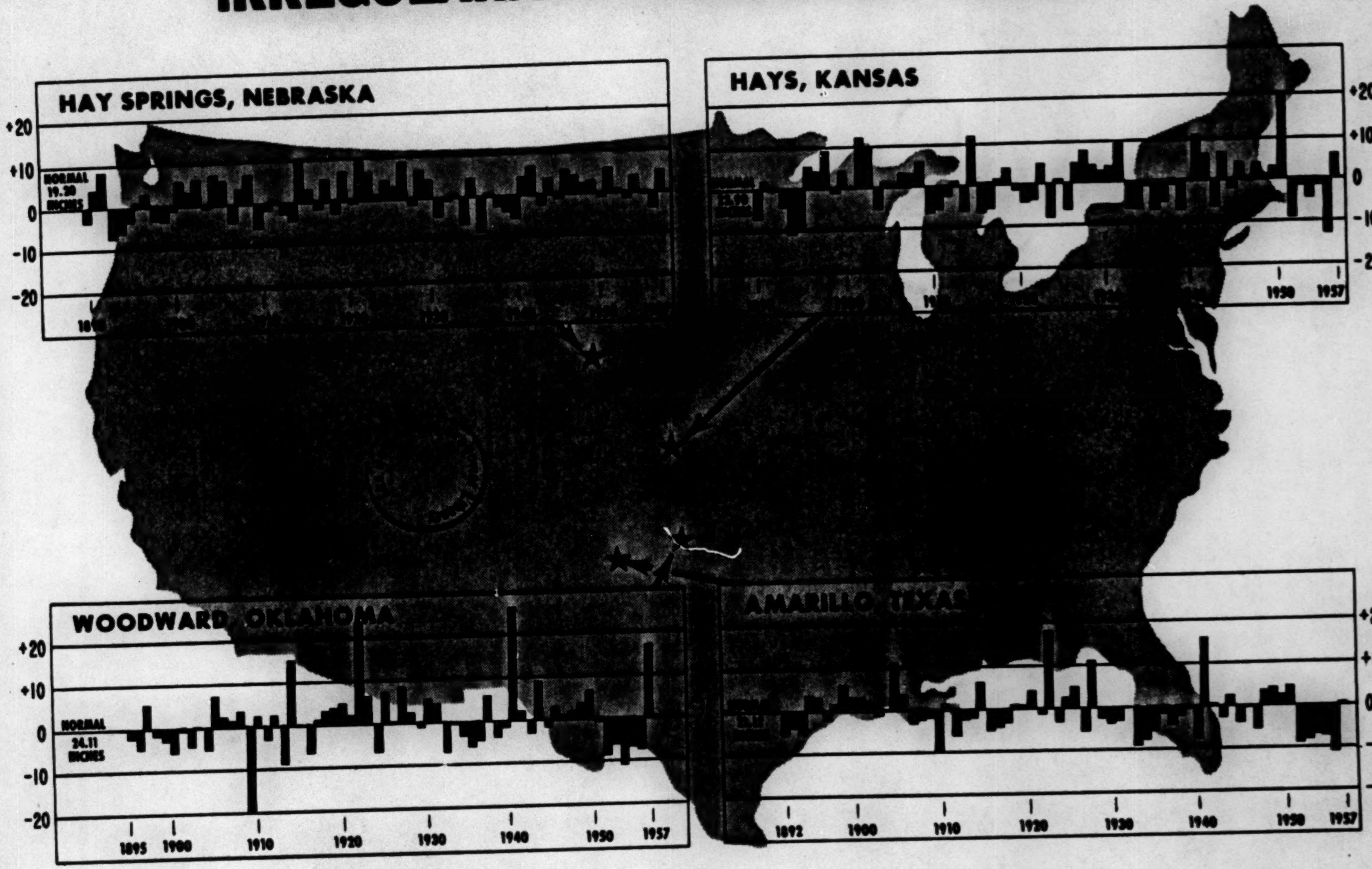
Thirteen dry years followed by three wet years; seven dry years followed by three wet years; two dry years followed by four wet years; another eight dry years followed by a 33-year period which varied almost from year to year; then sixteen wet years which were followed by another period of twenty-seven years, which varied from year to year; then six wet years followed by fifteen dry, followed by twelve wet. In any of these long wet periods the population could have adapted itself and its crops -- only to have a long ruinous period follow. Truly this variation is unpredictable.

This phenomenon is another characteristic which binds the "core" of the drouth area together. What it means is that, if possible, the reserves of the people, financial and physical, should be greater and their economy must be flexible if stability is to be secured.

8. Flooding

A long protracted drouth has often ended in a disastrous flood, and some of the same land that was so dry that it was blowing away in January of 1957 was washed away in the floods of March, April, and May of the same year.

IRREGULARITY OF DROUTH PERIODS



Heavy rain and snow beginning late in March, 1957, in the southeastern part of the drouth area resulted in two and three times the average precipitation for the months of March, April, and May over an area of about 170,000 square miles. In an oval-shaped area of 12,000 square miles in southeast Texas, the three-month total was more than 300% of the long-term average.

Major streams most seriously involved were the White River in Arkansas; the Arkansas River in Kansas, Oklahoma, and Arkansas, and its principal tributaries, the Canadian and Cimarron; the Ouachita in Arkansas and Louisiana; the Red River in Oklahoma, Texas, Arkansas and Louisiana; the Sabine in Louisiana and Texas; and the Neches, Trinity, Brazos, Colorado, Guadalupe, San Antonio and Nueces River in Texas.

C. Variation in Effects of Most Severe Drouths

1. Geographical

The effects of drouth vary widely with the climate in different parts of the drouth area. In the eastern part severe drouth damages to crops are infrequent and generally do not occur more than a single year at a time. Stream flow is normally plentiful, and surface water supplies with storage enough for an eighteen months' reserve are usually adequate for any drouth.

In the central part of the area existence of the agricultural economy is threatened whenever precipitation falls below normal by even a small amount. Furthermore, the stream flow is meager or nonexistent at such times so that surface supplies for any purpose are not only expensive to obtain but may be entirely depleted during a long drouth.

In the western part of the area the normal precipitation is insufficient to support agriculture or cause runoff so that all types of economy have been developed on the basis either of ground water or the runoff from the mountains farther west. Drouth has less effect on these supplies, and therefore on the general economy, than it does farther east.

2. Most Critical Area

From the foregoing discussion it can be seen that the most critical drouth area lies in the southern portion of the Great Plains and covers the western two-thirds of Kansas, Oklahoma, and Texas, and the eastern third of Colorado and New Mexico.

3. Effects on Agriculture

The tangible effects of severe drouth on agriculture include:

a. Partial to complete loss of grain crops.

b. Overgrazing of pasture.

c. Distress selling of herds.

d. Wind erosion of land following the thinning of vegetative cover.

e. Loss of utility of land following end of drouth due to the extended periods of adequate rainfall required to restore land to full utility for grass or grain crops and time to replace herds.

f. Instability and undependable productiveness combined with extensive acceptance of government relief measures tend to give the area a permanent submarginal stigma in living standards and confidence (e.g. -- an "Okie" of the 30s was considered to be one who failed).

g. Government assistance and relief, and loss of tax income.

h. Exacting requirements for farm management (only the biggest and best managed farms can survive the high mortality rate in times of severe drouth).

i. Rapid increase in grasshopper and other pest populations (especially those that may result in mass migrations or blights in wet years immediately following a drouth).

Chart 7, "Annual Precipitation vs. Wheat Yield Per Acre," illustrates how speedily lack of rainfall is translated into lack of production. The upper line shows rainfall in inches of precipitation per annum and the lower is bushels of wheat per acre. During periods of drouth there is little or no crop production.

The economic effects of the drouth are indicated by a graph prepared by the Kansas Water Resources Fact-Finding and Research Committee 1/ showing the relation of precipitation to cash receipts from farm marketings

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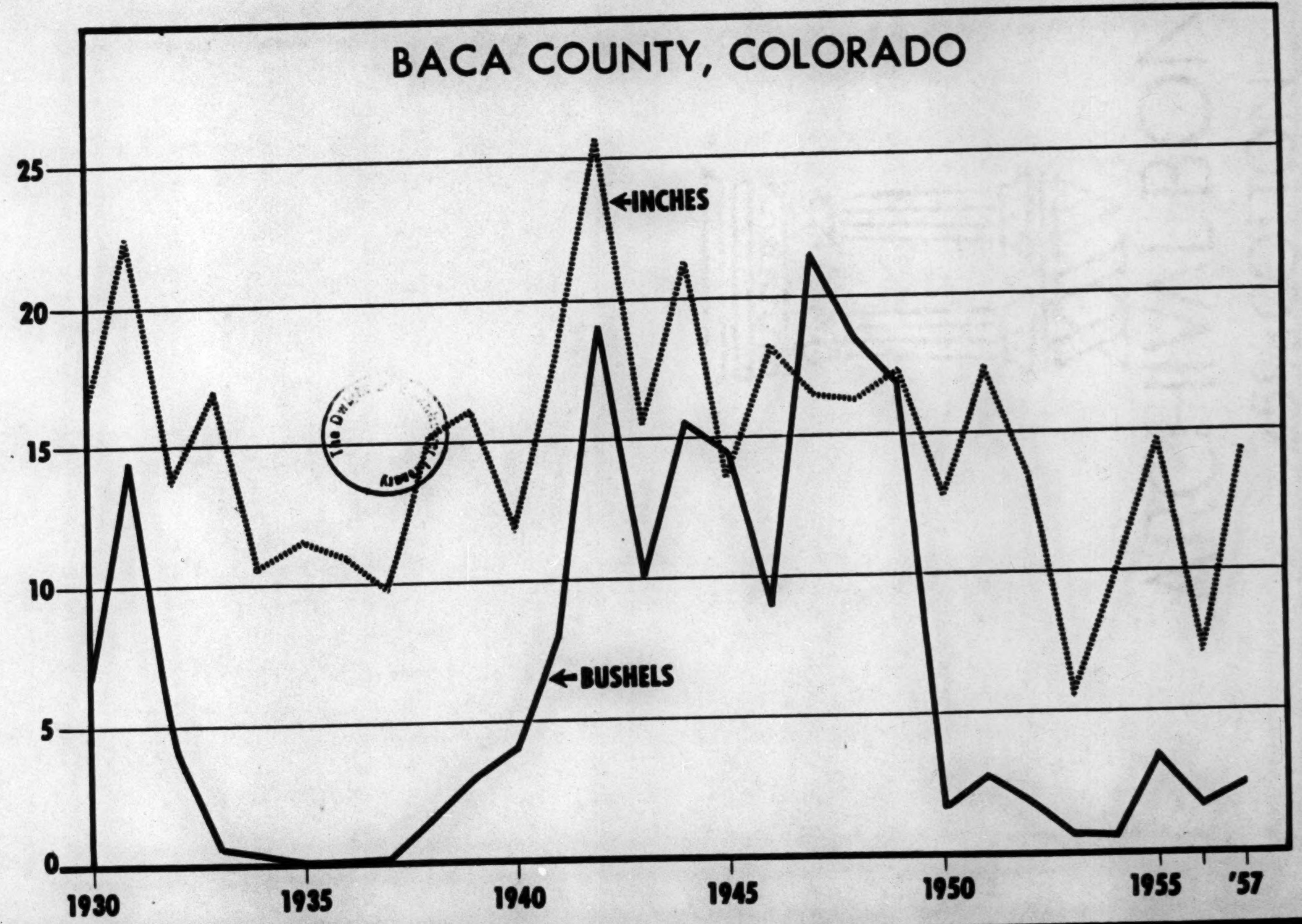
1/ Water in Kansas, a report to the Kansas State Legislature as directed by the Kansas State Finance Council, January, 1955, Page 3, Figure 1.

Annual Precipitation vs Wheat Yield Per Acre

(INCHES) (BUSHELS)

1930 - 1957



and government payments for the State of Kansas, 1924-1953 (in 1953 prices). Although sometimes lagging by as much as a year the trend in cash receipts follows closely the trend in precipitation. This demonstrates the slow and crippling effects of drouths as compared to the swift and destroying effects of floods. Despite the dramatic headlines given flood losses, the report states that the average cost (in 1951 prices) of floods in Kansas from 1926 to 1953 (including the catastrophic 1951 record flood on the Kansas River) was $35,000,000/year, whereas the losses suffered in the severe drouths of the 1930s and 1950s were equivalent to an average annual amount of $75,000,000 (in 1951 prices), excluding wind and soil erosion losses. Thus, in this drouth area State, over a period of some 30 years, the average annual flood losses were less than one-half the average annual drouth losses.

4. Effects on Domestic Water Supply

Whether domestic water supply is dependent on surface or underground water supplies, it invariably suffers during periods of severe drouth. Water is cheap only when it is available in the right amount, damaging when there's too much, and worth almost any price during periods of severe shortages.

While the requirements for public water supply are less than 10% of those for agricultural uses, public water supply systems serve over half of the total population of the drouth States and most such systems have sufficient reserve storage to operate during periods of moderate drouth rather than depending directly upon precipitation or soil moisture for even so much as lawn sprinkling. In periods of most severe drouth a number of the cities have been required to undertake costly emergency measures including the hauling of water, laying emergency pipelines to new sources, and requesting emergency releases from upstream dams (in some cases involving interstate and Federal cooperation).

As an example, Dallas, Texas, found it necessary to lay an emergency pipeline from an existing reservoir to Lake Texoma on the Red River at Denison Dam. The high salt and other mineral content of this emergency source not only made the city's water taste bad, but it killed grass and shrubs, seriously fouled piping systems and auto radiators and resulted in doctors prohibiting its use by patients with high blood pressure. This illustrates another requirement of the public water pressure supply problem -- that both quantity and quality are important. The city then opened seven "lug-a-jug" artesian well water supply points for the public, and private firms supplied cartons of spring water from outside sources at prices of 40¢ to 50¢ per gallon -- higher than the cost of a gallon of gasoline. In Kansas, it is reported 148 municipal water supply systems out of a total of 426 were short of water for some period during the drouth years 1953 and 1954 (as compared to 37 cities suffering failures of their water supply systems during the 1951 Flood). Also, 169 cities restricted their customers water use in some manner. Further, it cost 72 municipal supply systems in Kansas over $4,300,000 to haul water or otherwise provide an emergency supply during this two-year period.

5. Effects on Commerce and Industry

Drouth dangers are not confined to the farm or the home. The grocer, banker, and manufacturer also need water to nourish their economic growth and while not as spectacular they suffer losses in times of severe drouth. In their case, regulatory controls, voluntary codes, the absence of government subsidy and even the insurance companies' insistence on adequate fire protection require that they manage their water prudently. The composite and impersonal nature of the capital interests in many large businesses and industries usually preclude ventures in which the vicissitudes of weather introduce great risks, whereas the individual farmer may imprudently gamble his entire accumulation of capital and labor without any restraints. Because of its better planning and adherence to stricter safeguards, industry can usually withstand moderate drouths. In time of severe drouths, most businessmen, as compared to individual farmers, can more easily follow alternative operations. Examples are two industries in water-short west Texas which arranged to buy, process, and reuse, for their industrial water supply, the sewage from the nearby cities. In east Texas the Lone Star Steel Company's reserve storage in its reservoir dropped considerably during the drouth, but emergency pumping from another source enabled the plant to continue operations uncurtailed. Woodward, Oklahoma, lost two automobile dealerships, a farm machinery agency, and a ladies' ready-to-wear shop as a result of business contraction during the past drouth, but the manager of two of these businesses prudently sold his stock at auction before he was forced to sell at distressed prices, and re-established himself in a successful mercantile business in the same locality.

This is not to say that business and industry are drouthproof. Economic damage is suffered by all in time of drouth but commerce is not quite as sensitive to the fluctuations of rainfall as is the predominantly agricultural economy. While there is no information available on bank failures in the area during the drouth of the 1950s, small business, local utilities, and railroads serving the area operated at reduced income. Consider the business enterprises in the Guadalupe River Basin in south Texas, whose major source of water was the Comal Springs which have flowed at a rate of 200 million gallons of water per day. When these springs went dry in 1956, for the first time in history, eleven electric power plants were crippled because of insufficient storage for condenser water, but by drilling emergency wells and installing cooling towers they were able to overcome this unexpected crisis.

The employment and income which industry presently provides in the drouth area is undoubtedly the major factor that prevented the economic effects from matching its precipitation-deficiency effects -- namely, that of the most serious in the past one hundred years. While the precipitation indexes for Texas and Oklahoma showed their greatest cumulative deficiency in 1956, the indexes of economic activity were at new peaks, largely as a result of income produced by leases and employment in the petro-chemical industry and industrial booms in the aircraft and associated industries. The Douglas plant at Tulsa became Oklahoma's largest private employer at a weekly payroll of more than a million dollars. The Aluminum Company of America found that the majority of people hired for its new Texas plant were composed of peanut and cotton farmers.

6. General Economic and Social Effects

The effects of severe drouths vary somewhat with the economic health of the area prior to the drouth. This is of especial importance in evaluating the effects of the drouth of the 1950s. The good crops and government stabilized high prices which the inhabitants of the area of the recent severe drouth enjoyed for a number of years just prior to the 1952-56 drouth enabled them to withstand what had been the severest of all drouths of record better than during the less severe drouth of the 1930s following the 1929 "crash."

In all previous drouths except that of the 1950s, the extended years of depressed precipitation effected a reduction in the number of people attempting to live off the land in the good years. People migrated from the submarginal rural areas to humid areas and to urban areas. The population increased far more in the wet decades than in the dry ones. During the latter part of the 1952-56 drouth, withdrawal of school children in some of the small towns in the critical area indicated a migration trend. This trend, however, works disadvantages too since non-resident investors shy away from the purchases of the bonds for school districts and other purposes when located in the critical drouth area.

III. AGENCY ACTIONS TO RELIEVE DISTRESS AND STABILIZE THE ECONOMY

Over the period of the drouth, Federal, State, and local agencies took all actions possible within their authorities to relieve distress. In accordance with the Cabinet Directive, the actions taken or proposed by the various Federal agencies were compiled from their reports.

Because the farm population, as a whole, suffered most, the Federal Department of Agriculture administered the largest part of the relief activities. Working through its local committees, the Department delineated the disaster areas by designating the individual counties eligible for emergency relief.

The President in a news release in the fall of 1956 pointed out that the Department of Agriculture over a period of three years spent some $550 million for disaster relief and $184 million to bolster livestock prices. During the years 1954, 1955, and 1956, Federal help consisted of:

(1) More than $100,000,000 worth of government-owned surplus foods distributed free through State welfare offices to needy people in cities, towns, and rural areas.

(2) More than $140,000,000 worth of government-owned surplus feed grains given to help farm and ranch families maintain foundation livestock.

(3) Low cost and free grain furnished to small farm families through State welfare offices to maintain subsistence livestock.

(4) More than $26,000,000 was passed out to help buy hay and other roughage to maintain foundation livestock, including dairy cattle.

(5) More than $18,000,000 was spent to help carry out wind erosion control measures.

(6) Special permission in 562 counties in 12 States was given to graze soil bank reserved acres.

(7) Nearly $260,000,000 for emergency credit and livestock loans was granted.

(8) More than $184,000,000 was spent for beef and pork products to strengthen distressed livestock prices. Frozen hamburger was purchased to help stabilize prices of certain grades of cattle.

(9) More than $1,000,000 of long-term, favorable-rate loans were approved for small businesses in drouth-stricken communities.

(10) Railroad rates for shipment of inbound hay and outbound cattle were reduced.

(11) Sale of cattle to foreign countries was facilitated.

A. Actions Taken Through Fiscal Year 1957

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1. Water Resources Management

The planning and construction of water management facilities were continued. Storage operating rules were adjusted and emergency releases made to meet acute needs. An inventory was undertaken to ascertain possible reallocations of storage space, either on a temporary or permanent basis, and to determine those instances where additional legislation was necessary to effectuate such adjustments.

Emergency measures taken by the Corps of Engineers during the drouth consisted of (a) release of 72,000 acre-feet of water from the Belton Reservoir, Texas, in December, 1956, to prevent the Dow Chemical Company from shutting down, (b) emergency releases from Whitney Reservoir in 1952 to save a $5 million rice crop, (c) release of 122,000 acre-feet of water from Canton Reservoir to aid water supply for Oklahoma City. In addition, the Department of the Army loaned substantial quantities of pipe to cities for temporary extension of their water supply lines.

The Public Health Service provided service for improving water quality and, together with the Federal Civil Defense Administration, loaned equipment for obtaining temporary water supplies.

The Weather Bureau analyzed and published descriptive material for use in planning drouth relief measures. It extended its long-range rainfall predictions for use in agricultural planning and in pointing out areas where the drouth was most likely to continue with greatest severity. It assisted the Agricultural Disaster Committees in determining counties which should be designated to receive emergency disaster relief.

The Bureau of Reclamation improved the efficiency of existing irrigation projects by land-leveling and the lining of ditches.

Considerable research expansion also took place. The Bureau of Reclamation undertook studies and education of farmers on water use, evaporation suppression, removal of phreatophytes and construction of low-cost canal lining. The Public Health Service studied and reported on the biological factors of reservoir evaporation control, reuse of sewage, and water treatment.

Thousands of stock ponds were built, land-leveling was accomplished, and management of marginal lands and national forests provided. A summary of the work done by Agriculture was contained in its February 28, 1957, Report to the President.

2. Land Resources Management

Collection of basic data relating to soil surveys and other crop and livestock practices was accelerated. Programs for wind erosion control, emergency conservation measures, and grasshopper control were expanded. The Soil Bank returned land to vegetative cover. The Great Plains Program was developed vigorously.

3. Economic Assistance

The repayment requirements of reclamation projects were studied by the Bureau of Reclamation to see what adjustments might be justified in view of the drouth and in the case of the Rio Grande project the requirements for payment were deferred as an emergency measure.

The Bureau of Indian Affairs provided relief feed grains and loans to the Indians. The Department of Agriculture loaned $11.75 million in 1955-56 for 236,000 acres of irrigation farms in fourteen States. The Small Business Administration made 1,114 loans for $47 million, gave priority to handling of disaster loans, and granted 61 loans for $1.6 million to business concerns in drouth areas in ten States.

The Bureau of Indian Affairs provided financial assistance for the increased costs of power due to the additional pumping required on Indian irrigation projects and performed land-leveling and lining of ditches to improve their efficiency.

The Bureau of Indian Affairs took steps to expand oil and gas leasing on Indian lands to reduce dependence on agricultural pursuits. It relocated 5100 Indians in 1956, and 8000 in 1957.

The Department of Commerce expanded its technical and information services on problems of economic diversification and growth and stimulated new processes.

The Department of Health, Education and Welfare carried on educational, social security, and vocational rehabilitation services. Its grants-in-aid to six of the severely affected drouth States exceeded $250 million in 1957. Old Age Survivors' Insurance and Disability Insurance Program benefits amounted to $400 million in the six most severely affected drouth States. With the covering of farmers under the program, these payments increased.

The Department of Labor assisted farmers in obtaining non-farm employment; many were successfully placed, more often in construction, but also in new business adjacent to large cities undergoing industrial expansion. Off-farm work doubled in the five-year period 1952-56. Some individuals moved, at least temporarily, to more distant communities where non-farm jobs were available.

B. Intermediate Actions, Fiscal Year 1958

1. Water Resources Management

Work continued on planning and development of water resources management projects. Grants continued for sewage treatment facilities under the newly authorized program.

The collection and compilation of basic data as well as research to develop more efficient use of water was expanded. This included initiation of a program to secure basic data on water quality and the expansion of systematic collection and analysis of basic data with particular reference to current water resource requirements. Comprehensive studies of hydrology and total water resources were initiated for two Gulf River Basins in Texas.

2. Land Management

The Great Plains Program to improve soil and water management was accelerated under the 1958 budget provision of $20 million. Most of the Department of Agriculture's programs for assistance are long-range enterprises and these are discussed in more detail later under long-range actions. There are many areas in which additional legislation is required at Federal, State and local level to facilitate land use and to adapt farming and ranching to available resources. Suggestions to accomplish this were under continuing study.

3. Economic Assistance

The Department of Commerce recommended a concentrated program of local-State-Federal action for achieving greater economic diversification in the drouth area. The Small Business Administration accelerated its assistance program. The regular programs for financial assistance through loans were continued.

The over-all activities of the interdepartmental Rural Development Program contributed to the social, political, and economic improvement of the areas in which the program was put into action. The cooperating Federal agencies are the Departments of Interior, Agriculture, Commerce, Labor, and Health, Education and Welfare and the Small Business Administration and the Council of Economic Advisers. Operating primarily at local level, the Rural Development Program worked to achieve a balanced farm-industrial community development involving every agency and private organization in the county or area that can contribute to the goal of sound continuing economic and social progress.

C. Long-Range Actions Taken or Proposed for Alleviation of Drouth Effects

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Described below in general terms are the various types of long-range actions contributing to the alleviation of the drouth which are being taken or proposed by the 20-odd agencies of the Federal Government.

1. Water Resources Management

The long-range programs for water resources projects are being prosecuted as scheduled but with greater emphasis on the water supply needs of the drouth area. The new provisions in the recent Rivers and Harbors Act providing authority to impound water in reservoirs for present and anticipated future demand or need for municipal and industrial water will help to provide such emphasis. Existing projects are being rehabilitated and modified to improve their efficiency. The agencies propose starting new projects which have been authorized and approved, with priority being given to those in the drouth area which will best supply the water needs. Work on surveys and planning is being continued. The most meritorious projects are being selected for authorization and approval for inclusion in future construction programs.

Federal grants for waste treatment works were partly instrumental in a 90% increase in contract awards in 1958 over 1957.

Research in water use and conservation is being expanded to include: accelerated collection and analysis of basic data; meteorological research on the causes of drouth, cloud physics, artificial inducement of rainfall, and improved forecasts; effects of upstream watershed improvements on water supplies; possibilities of increasing runoff by thinning underbrush; improved techniques of controlling evaporation; surveys of availability, movement, and use of underground water sources; feasibility of artifical ground water recharge and storage; surveys of water quality; studies of municipal and industrial water needs and uses; the saline water program; and studies of conflicts between competitive uses.

In addition to the construction and research activities, programs are being developed to provide farmers with technical assistance in improving their water conservation practices.

2. Land Resources Management

Both geologic and topographic mapping programs are being accelerated and soil surveys and collection of other basic data for land resources expanded. The Agricultural Research Program was intensified in order to develop methods of greater conservation of soil moisture and the promotion of more efficient land use. Much of this work is being accomplished as part of the Great Plains Conservation Program authorized under Public Law 1021. Improved soil conservation, forest and land use practices are being fostered by Interior and Agriculture by providing greater technical assistance and other necessary information to the individual farmer.

Wherever feasible, the agencies plan to expand the development of the mineral resources of the drouth area to reduce dependence on agriculture.

3. Economic Assistance

a. Fiscal and Credit Institutions

Agriculture has expanded its credit programs to assure adequate credit to farmers and ranchers. These programs include operating loans, soil and water conservation loans, special livestock loans, and farm ownership loans.

The Small Business Administration is providing assistance and loans to local development corporations. These corporations provide credit to local businesses and cover part of the cost of plants constructed to attract small industries.

An increasing number of farmers are receiving OASI benefits since coverage was first extended to farmers in 1955.

b. Development of Industries

The Office of Area Development, Department of Commerce, seeks to promote economic diversification. The office initiated efforts to assist rural low income areas in developing local resources that would strengthen and diversify their economies. It is providing technical assistance on area and industrial development to rural test counties participating in the Rural Development Program. It is assisting in regional conferences to promote growth and diversification of industries.

The Small Business Administration is providing to small firms technical assistance in such problems as procurement, production, new product information, and management and finance procedures.

Federal-State employment security agencies are cooperating with community groups in rural areas in developing programs to attract industries.

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c. Economic Research

The USDA has started limited studies to evaluate the opportunities for adjustments in farming to such longer term needs as stabilizing incomes, reducing risks, reappraising credit and insurance policies, considering income possibilities, and appraising problems of shifting from crop to grassland farming.

Surveys are being completed on the financial condition of Great Plains farmers, farm tenure, ownership patterns of private rural land holdings, and factors affecting land prices.

d. Social

The Labor Department has expanded its vocational training program.

The Bureau of Indian Affairs has been assisting Indians in relocating from agricultural to urban communities. It gave about 2,000 Indians vocational training to develop skills for use outside the area.

The Agricultural Marketing Service is studying farm population movement in order to develop data that will be useful in long-range programming.

IV. ADEQUACY OF AGENCY ACTIONS

A. Contributions of Existing Programs

Agency reports and recommendations regarding activities in the drouth area, as well as those contained in project planning reports prepared over the last several years, cover a wide range of actions and proposals.

Programs at all levels of government contributed to the softening effects of the recent drouth. They permitted the nation better to weather the damaging effects of this drouth which, though even more severe than that of the 1930s, left less of a toll on the area.

In the drouth area, long-range water management project planning and development has been underway by the Bureau of Reclamation, the Corps of Engineers, and the Department of Agriculture for many years. The Missouri River Survey Commission and the Arkansas-White-Red River Basins Interagency Committee have conducted studies in the area. Recently the Bureau of Reclamation, the Corps of Engineers, and the Department of Agriculture prepared a "Mock-Up" Plan for the State of Texas. The States of Kansas and Texas have undertaken special studies of basins and subbasins. Work has been underway by local groups in developing master plans for various river basins, such as for the Sabine, Neches, Trinity, San Jacinto, Guadalupe, Blanco and the Nueces River Basins in Texas, and for the Kansas-Republican River Basin in Kansas, Nebraska, and Colorado. New Mexico has recently completed a survey of the northwest corner of the State in conjunction with the Arkansas-White-Red River Basins studies.

The United States Department of Agriculture and the land grant colleges have underway programs of research, education and technical assistance which should help bring needed adjustments in land use practices and farm and home management techniques. The Great Plains Program under Public Law 1021 is proving to be of noticeable assistance in the accomplishment of conservation measures in the Great Plains area and in securing better use of land and water.

The Office of Area Development of the Department of Commerce conducts studies and provides technical assistance on area and industrial development problems. All but one of the States have agencies to assist in the planning and development of industry. Most of the State universities maintain business research services; some of their engineering experiment stations also study the resources available and industrial prospects. Basic data programs have been accelerated.

B. Problems in Making Over-All Analysis

In the process of evolution, each of these programs will make special contributions in its field of responsibility. Each of the existing proposed actions is probably practical and desirable and may be fully justified. Each proposal will undoubtedly aid one particular locality or one phase or function of the economy. However, information is not available and procedures have not been established, either for measuring the effects of these actions on the economy of the drouth area as a whole or for determining what the best long-range economy should be. There exists no integrated over-all guides or plans for attacking the problem. The programs have not been tied together as evidenced by the variety of the statements contained in the various reports.

Construction programs of the water resources development agencies should provide better water yields, but as construction of new projects progresses, additional storage will provide less yields per dollar investment. In some basins it may be reaching the point of diminishing returns.

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The experience gained by the agencies in the Arkansas-White-Red River Survey was beneficial although it was expensive and it resulted in a somewhat inadequate product. It demonstrated the defects in the type of organization used in the study. The Texas "Mock-Up" Plan has served to further coordination of efforts. It, too, has its imperfections as pointed out by the Governor in his letter to the Chairman of the State Water Board of Engineers. The Kansas and Texas State subbasin studies are important developments in the right direction, but they, too, are only a first step.

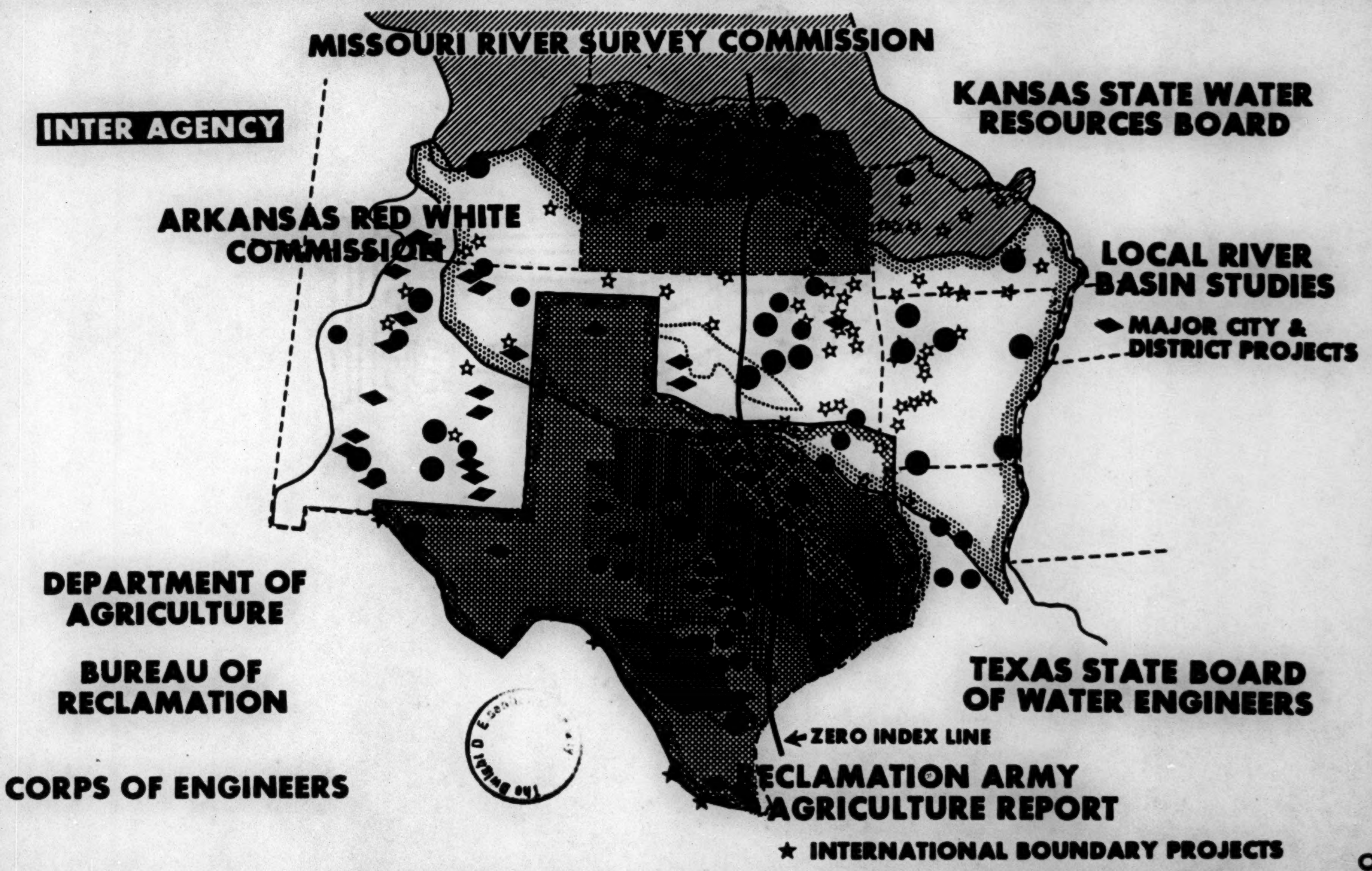
The Great Plains Program does not face up to the larger issues since it does not provide the tools for obtaining a permanent cure for large scale readjustment of farm ownership in the area. It does not possess the authority to provide financial assistance necessary to convert lands from crop to pasture except as related to conservation measures.

Chart 9, "Overlapping Studies, Federal, State and Local," has been prepared to illustrate the complex pattern of the current activity in the area of greatest drouth. This shows the intermingling of many agency programs, Federal, State and local.

In studying the plans of the various agencies with respect to any one basin of the area, it is not unusual to find that they conflict in their

OVERLAPPING STUDIES

FEDERAL - STATE - LOCAL


MISSOURI RIVER SURVEY COMMISSION
INTER AGENCY
KANSAS STATE WATER RESOURCES BOARD
ARKANSAS RED WHITE COMMISSION
LOCAL RIVER BASIN STUDIES
◆ MAJOR CITY & DISTRICT PROJECTS
DEPARTMENT OF AGRICULTURE
BUREAU OF RECLAMATION
CORPS OF ENGINEERS
TEXAS STATE BOARD OF WATER ENGINEERS
← ZERO INDEX LINE
RECLAMATION ARMY AGRICULTURE REPORT
★ INTERNATIONAL BOUNDARY PROJECTS

proposals for use of water or in the structural requirements to meet the proposed programs. It is true that most of the agencies conduct some study of the economy of the region, but it is usually based on the assumption that the economy is going to be geared to their function. It is seldom, if ever, that a study of the economy of the entire region is made that is directed at meeting the desires of the people within the framework of what they can logically expect from nature and in the light of that economy which is the best adapted thereto. When this is done there generally results a compromise between the functional plans of the agencies which follows, not precedes, the basic economic long-range plan.

C. Examples of Lack of Coordination

Examples of lack of coordination are found particularly in the water resources development field. The Missouri River Survey Commission found that the program for the Missouri River Basin "lacks the coordination and balance essential to genuine multiple-purpose planning and even threatens at times to make improvident use of the region's limited supply of water." (Page 3, Column 1, Paragraph 3) The Commission came to the conclusion that "present measures for coordination cannot adequately perform the following functions: (1) Develop a truly integrated and comprehensive plan for optimum basin-wide development correlating all the many policies of the Government and the plans of the agencies that execute them; (2) analyze and appraise projects in the light of such a plan and set priority schedules for gearing the projects into the plan; and (3) operate the completed projects so as to assure that the ultimate employment of the resources, as well as the construction of works, carries out the basin plan." (Page 245, Column 2, Paragraph 4)

Also, "If, as previously stated, the first and most important phase of over-all regional planning is the determination of goals and objectives of development, and if the States, as constituent elements of the region, should assist in the formulation of these goals, then it is apparent that the present basin planning procedure is deficient, for in reality the States have entered the planning process subsequent to determination of the basic framework of the basin plan. To say this is not to attach the responsibility for this deficiency to either the Federal resource development agencies or to the States. The deficiency, rather, would appear to stem from the lack of any method or organizational device to bring together the interested agencies -- Federal, State, and local -- in a coordinated effort to determine mutually acceptable patterns of future basin development . . ." (Page 250, Column 1, Paragraph 3)

The Arkansas-White-Red River Basins Interagency Report contained a number of statements pointing out that coordination had not been achieved and that major issues covering various agencies had not been resolved. It emphasized that because of the differing views between the various agencies as to the applicability of various existing guides to long-range planning, "the principles, procedures, and practices set forth therein were applied largely in accordance with individual agency policies and interpretations." It stated that the Committee did not "endeavor" to resolve issues as to whether water should be retained in small reservoirs for upstream purposes, whether lands should be drained for agricultural purposes or left undrained for forestry and wildlife, or whether provisions should be made for impoundments in larger reservoirs for downstream purposes. The elements of the report were said to constitute the proposals of the Federal and State agencies "formulated in accordance with agency policies and procedures and adjusted to varying degrees through coordination by AWRBIAC." It pointed out that in making a survey of this type the Committee encountered a number of problems that do not ordinarily confront an individual agency in developing plans for specific functions in a more limited area. These problems arose because of "(1) the 'long-range' nature of the plan; (2) the enormous size of the area and its wide diversity of resources, potentialities for development, and resource problems; (3) the large number of elements requiring consideration and coordination; (4) the many different, sometimes competing purposes to be served by the same resources; (5) the existence of resources plans and programs in various stages of development and operation when the survey was initiated; (6) the number of agencies, both State and Federal, operating under somewhat different laws and policies that had interests and responsibilities in connection with the survey; and (7) the absence of a uniform national policy governing resource development planning." (Part 1, Page 5, Paragraph 3)

In a letter from the Governor of Texas to the Chairman of the State Water Board of Engineers, on the Texas "Mock-Up" Plan, it was stated in part: "Certainly this data will be of considerable value in the preparation of a state-wide water program for the State of Texas. However, the report can only be considered as the first step in the right direction." The Chief of Engineers, Commissioner, Bureau of Reclamation, and Administrator, Soil Conservation Service, reiterated this view in their letter to Senator Lyndon Johnson which stated that the report "documents an important first step in the development of an integrated water resources program for Texas." The report points out that its purpose is to (a) present available information on water resources development in Texas, (b) summarize the status of planning, and (c) to provide guideposts which will be useful in achieving further progress. It states that further coordination between many agencies will be necessary before a water plan for the State as a whole can be assembled.

Bulletin No. 2 dated October, 1956, of the Water Resources Board of the State of Kansas, states, "The existing policy under which the government operates today has evolved through the years in piecemeal fashion with little or no attempt to coordinate the fundamental principles of the individual laws."

The Report of the President's Advisory Committee on Water Resources Policy stated as its No. 1 finding, "The greatest single weakness in the Federal Government's activities in the field of water resources development is the lack of cooperation and coordination of the Federal agencies with each other and with the States and local interests . . ."

From the above references, which are only representative, it is evident that there is some general concern, even by the Federal agencies, that existing programs and proposals are not providing the best, coordinated approach to the over-all economic planning and development of an area. Furthermore, that machinery does not presently exist to achieve those ends. Implementation of the recommendations of the President's Advisory Committee on Water Resources Policy would aid in coordinating the water aspects of possible drouth amelioration actions but there still would remain the problem of their integration with the many other types of measures required.

Chart 10, "Who and What Are Involved," shows in tabular form a more complete list of agencies and activities presently concerned with drouth area problems. Only a few of the various types of functions involved are shown. While many of them relate to water, some of the most difficult problems in the drouth area involve issues other than water.

D. Type of Study Needed

There is at present no framework within which various action programs and proposals can be integrated and evaluated from a comprehensive standpoint. Neither is there any agency or group responsible for broadly-based economic evaluations and studies. Economic investigations are at present largely related to specific

WHO and WHAT are INVOLVED?

● PRIMARY
▲ PARTICIPATION

	FEDERAL							NON-FEDERAL					
	AGRIC.	INTER.	ARMY	HEW	COMM.	LABOR	SMALL BUS. ADM.	STATE	MUNIC. GOV'T	OTHER LOC.	SPECIAL DIST'S.	PRIVATE INDUST.	CITIZENS & GROUPS
BASIC DATA	●	●	●	●	●	●		●	●	●	●	●	
LAND USE	●	●						●	●	●	●		●
FLOOD CONTROL	●	●	●					●	●	●	●		●
WATER SUPPLY DOMESTIC INDUSTRIAL	●	●	●	●	●			●	●	●	●	●	●
IRRIGATION	●	●	▲					●			●		●
POLLUTION ABATEMENT	▲	▲	▲	●				●	●	●	●	●	●
NAVIGATION	▲	●	●		▲						●		●
POWER	▲	●	●					●			●	●	●
FISH & WILD LIFE	▲	●	▲					●					●
RECREATION	●	●	●					●					●
FISCAL & CREDIT	●						●					●	●
AREA DEVELOPMENT	●				●			●	●	●		●	●
EDUCATION VOCATIONAL TRAINING	●			●		●		●	●	●	●		●

functional purposes. To provide permanent, long-range solutions to the problems of the drouth area will require a careful analysis of all potentials and needs anchored in economics, irrespective of existing patterns, which will point out the direction in which the economy of the area should be channeled so as to better serve it and concurrently augment the economic strength of the entire nation. An impartial and critical review is required of all work being done or proposed which affects the drouth problem and of all the factors which may be involved in its solution. From such a review could come a clear and concise appraisal of where we stand, where we are going, what improvements could be made in our proposed route and method of travel, how long it ought to take us to get there, and what the fare would be; also, it would give indications of what portions can best be done by each level of government.

In this kind of a problem, as has been found in the interagency work, the considerations which produce the major and most difficult issues are not those of an engineering nature but those which involve questions of policy and interpretations and the negotiation, arbitration, and settlement of the conflicting desires and competition between people for use of their resources, public and private.

Literally, therefore, it involves a problem of people and economics and not of engineering, with the local people holding the controls in determining the long-range solutions. Accordingly, some device is needed to permit such studies to be made.

An integrated study, therefore, would begin with the establishment of broad general principles and policies, determine and evaluate the economy of a homogeneous area, develop its reasonable expectations for best future growth, and plan what proportions of its resources shall be devoted to various segments of the economy for the present and for the future. Then when the area has made a choice as to the way it wants to go, it would modify the plan in such measure that will make it compatible with similar choices of neighboring areas which likewise are planning their future development. Each area thus begins to build its economy with balanced segments and builds these in the direction that it aspires to grow in the future in contrast to adopting a program proposed as the best solution in one functional field.

E. Consultants' Views as to Need for a Coordinated Study

The Public Works Planning Unit recently consulted with eight different individuals who are intimately acquainted with this region and who hold or have held prominent positions in the area's development. They were from the States of Texas, Oklahoma, Kansas, Colorado, and New Mexico. They were unanimous in the belief that coordination of efforts and new type of integrated approach to the problem are needed.

V. METHOD OF PROPOSED STUDY

A. Proposed Study Area

Actions toward stabilizing the economy should apply to the entire drouth area. However, in view of the tremendous size of the drouth region, an initial study of the southern portion (most severe drouth area) could effectively point the way for solutions to the problems in the entire region.

Any works built or land treated in the upstream reaches of stream basins will affect the supply and quality of the water flowing downstream; any works undertaken in the downstream reaches must have some assurance of adequate water from upstream. Hence, studies must be integrated for the basins as one unit. The upstream portions of the rivers are in the areas of most prolonged and severe drouths and are more closely allied to the physiographic and climatic characteristics of that area than with the downstream portions where rainfall is plentiful in all but the years of extreme deficiency. Hence, the subbasin area with more or less homogeneous climatic characteristics must be the basic unit.

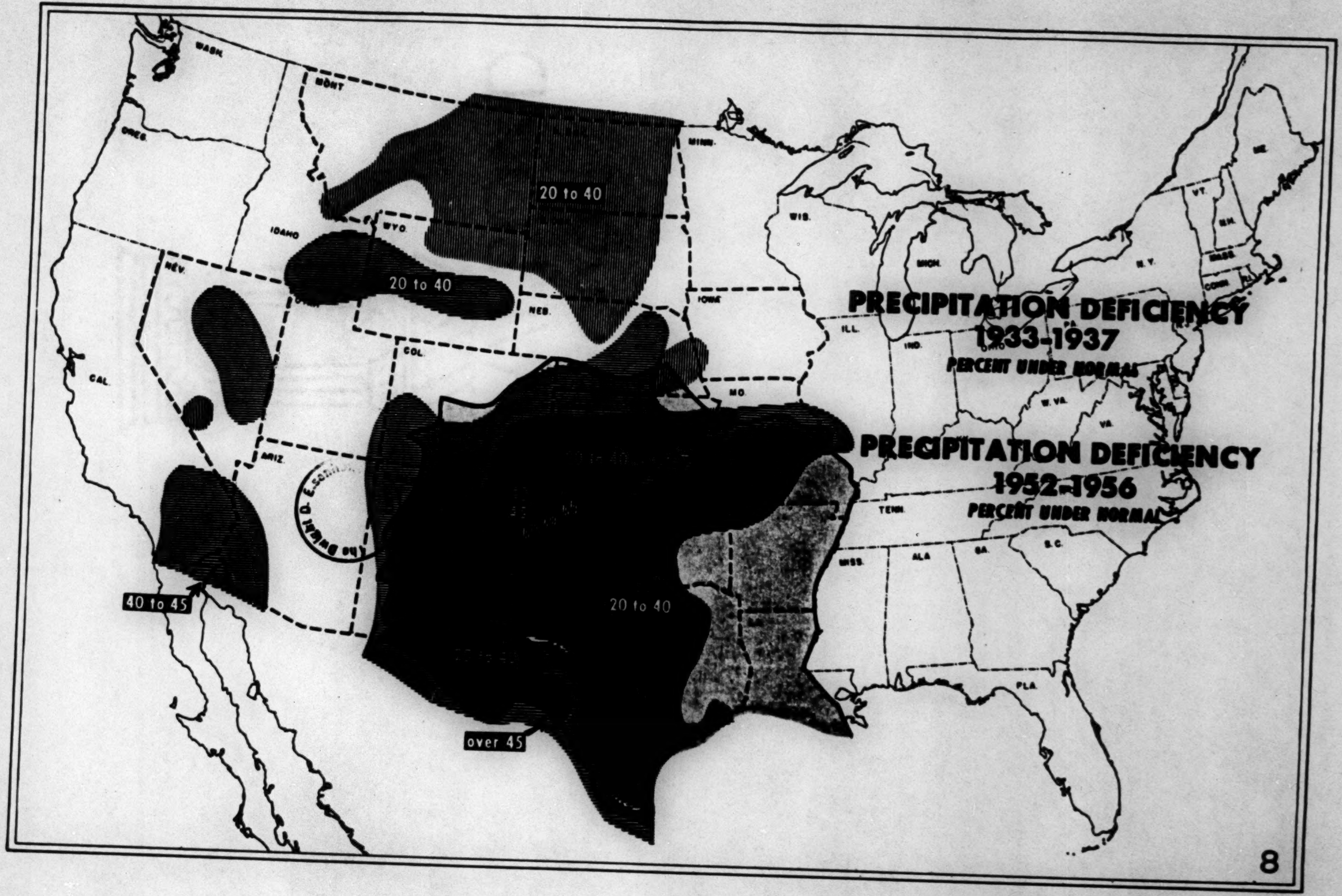
Thus, a logical "study area" would comprise substantially all of Texas, the Arkansas-White-Red Basins, the Rio Grande Valley in the United States, and the Basin of the Kansas Tributary of the Missouri. To embrace the lower portion of the river basins affected, the area would extend to the Missouri River below the mouth of the Kansas River and to the Mississippi River below the mouth of the Missouri River. This area is outlined on Chart 8, "Proposed Study Area."

B. "Water-Economic" Budget Approach Using Subbasin Units

The term "water-economic" budget as used herein contemplates a balancing of the economy of the region with respect to water availability and other economic segments of the region.

A "water-economic" budget is needed to start any fully effective solution to the drouth problem. It should involve broad participation by Federal, State, and local groups. This budget should give an

PROPOSED STUDY AREA


PRECIPITATION DEFICIENCY
1933-1937
PERCENT UNDER NORMAL
PRECIPITATION DEFICIENCY
1952-1956
PERCENT UNDER NORMAL
20 to 40
20 to 40
20 to 40
40 to 45
over 45
WASH.
OREG.
CAL.
IDAHO
NEV.
MONT.
WYO.
ARIZ.
COL.
NEB.
MINN.
IOWA
MO.
WIS.
ILL.
IND.
MICH.
OHIO
PA.
N.Y.
VT.
N.H.
ME.
MASS.
CONN.
W. VA.
VA.
TENN.
MISS.
ALA.
GA.
S.C.
FLA.

inventory of water resources as they are now and the water uses and needs with their shortages or surpluses. The budget should cover all types of water use -- domestic, municipal, industrial, irrigation, and water from precipitation needed for crops and for range land for grazing.

The handicap of such studies by individual States is obvious as shown by the unnatural boundaries of the subbasin areas along the State borders, which subbasins extend into neighboring States.

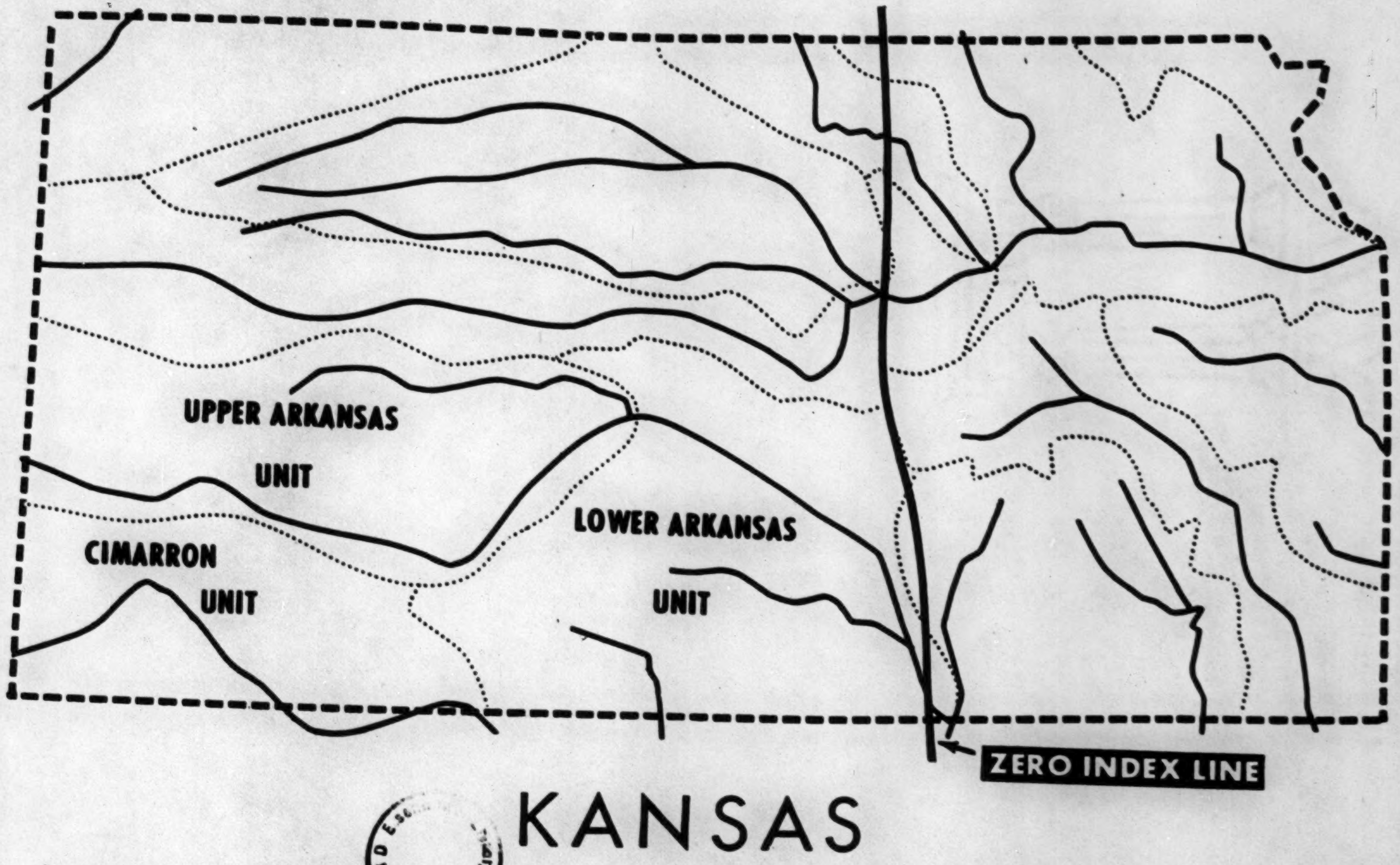
We found that the State of Kansas has been taking a very similar subbasin type of approach. Chart 11, "The Subbasin Area Unit for Survey and Planning," is taken from the Kansas water study now proceeding and shows the subbasin area units it is using. The subbasins to the west of the "zero index line" indicated are in the "core" of the drouth area. They would be identified with the integrated study of that area. Subunits to the east of this line would be identified with an analysis and solution for the basins of which they are subdivisions. The State of Texas is also initiating water-budget subbasin studies for its river basins. This part of the work could well be done by the States and could constitute a portion of their contribution to the study.

After general assumptions, policies, and principles are established for the study area, the key device for the analysis of each subbasin area would be (a) the making of a "water-economic" budget for the present conditions, and (b) the creation of future "water-economic" budgets. The latter should be based on (a) present sources of supply plus (b) future augmentations of supply, and (c) choice of economy for each region to best use the supplies which can be secured. It would not be simply a water survey. Water is only one facet of the problem. Its basic frame of reference should be an analysis, evaluation, and determination as to the best over-all economic development of the area.

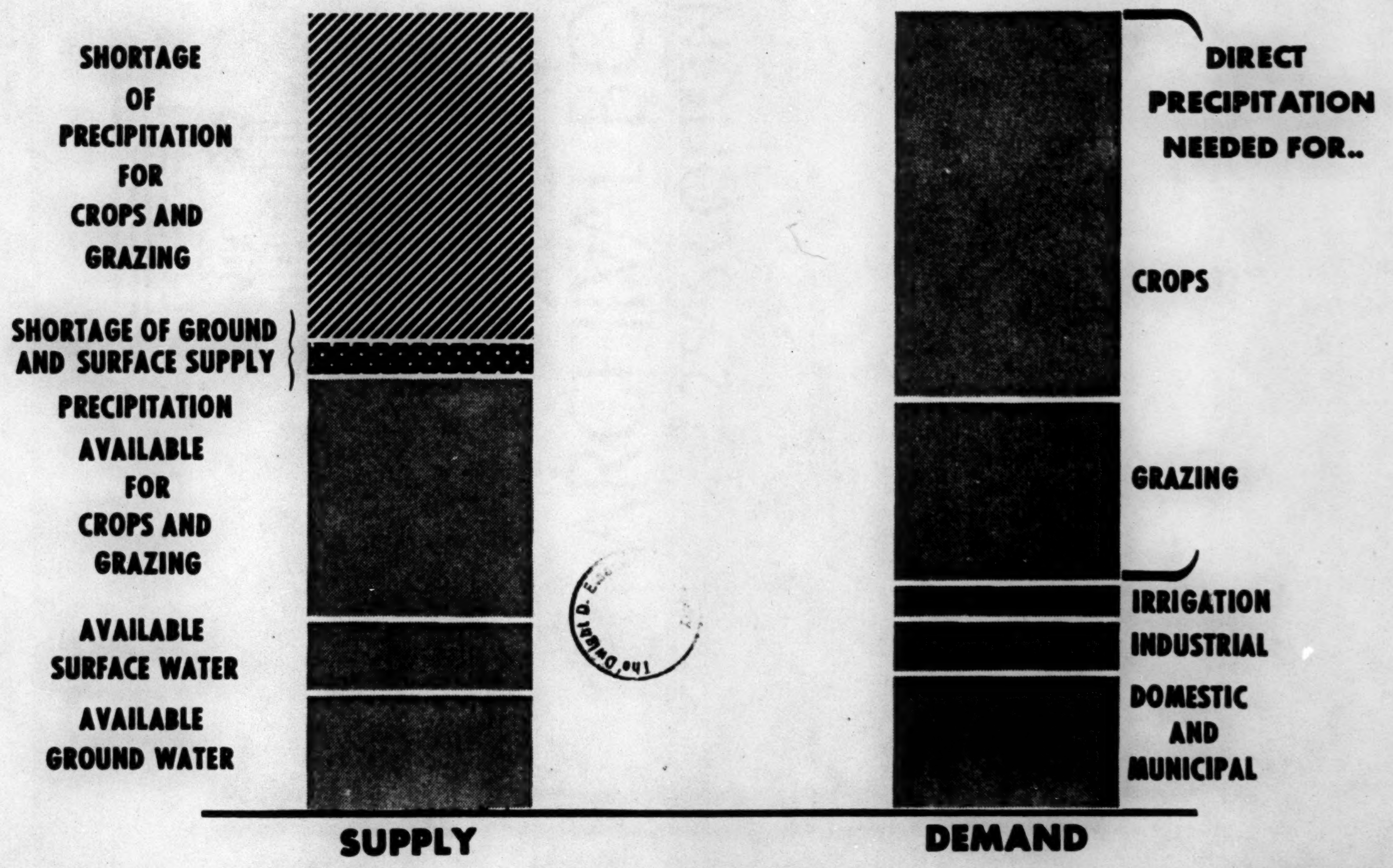
C. Typical Present "Water-Economic" Budget

Chart 12, "Present 'Water-Economic' Budget," shows in graphical form the data which a typical present "water-economic" budget should contain. This does not represent any actual area, but is representative of a typical, water-deficient area in the dry zone. The needs shown represent only the minimum, or most essential, water supply for homes, industry, and irrigation, and the minimum precipitation requirements for crops and range to prevent outright failure. The "available water" supply shown is that available during a year of drouth. The available surface water represents the portion of the surface water that occurs when and where it can be used, after

THE SUBBASIN AREA UNIT FOR SURVEY AND PLANNING


UPPER ARKANSAS UNIT
LOWER ARKANSAS UNIT
CIMARRON UNIT
ZERO INDEX LINE
KANSAS

PRESENT "WATER-ECONOMIC" BUDGET



allowing for releases to satisfy recognized downstream uses and rights, including interstate compacts. The available ground water represents the amount which can be safely taken from the ground without long-range depletion. The available precipitation represents that portion of the precipitation that occurs when, where, and in amounts which can be used by the various crops and grasses. The difference between supply and demand is shown in the upper part of the left bar as shortage of ground and surface supply and in precipitation for crops and grazing.

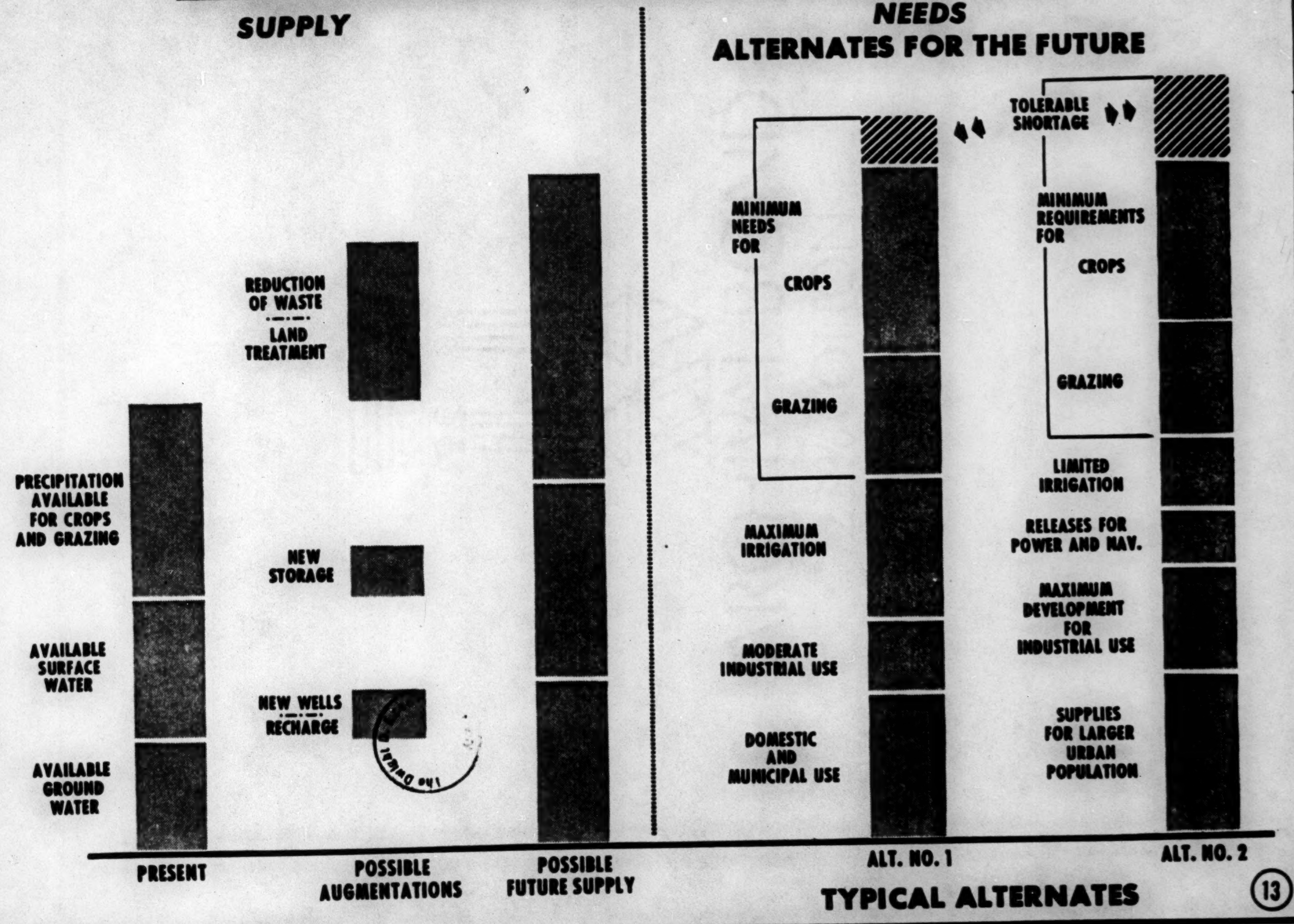
D. Typical Future "Water-Economic" Budgets with Alternates

Chart 13, "Future 'Water-Economic' Budget," illustrates the method of arriving at the idealized future budget which, after consideration of alternatives, the long-range program for the area should seek to attain. In such a budget the present supplies of surface and ground water would be augmented to the greatest feasible extent by whatever means may be available to the area, including added storage, new wells, recharge of underground aquifers, control of evaporation and pollution, and by importing water from other areas, and this expanded supply will place an economic limit on the expansion of irrigation and industry after the needs for domestic and municipal water have been met. The precipitation available for crops and grazing should be increased by land treatment measures and elimination of waste to the greatest feasible extent, and the corresponding needs reduced by changed land use and management until the shortage during a dry year is economically tolerable. (In an average year there would be no shortage.) Finally, the combined budget should provide for economic stability of the area, between the agricultural economy, the industrial development, and the over-all population, with the available water supplies apportioned so as to achieve this stability and balance. The key is to have available for consideration several alternate patterns of possible future economic development.

E. Need for Choice of Alternates

Emphasis here should be on choice, the fact that there may be alternatives. Too often a region or a basin is offered one plan for its development along some functional line. The people of each region, basin or subbasin, should within limits be permitted to make a choice within the potentialities nature has given it for its future economy. They are entitled to the best plan, not the next best -- a balanced plan and not one in which a single function dominates. In addition, the plan of any subbasin must be integrated into the plan of a whole basin and its best plan will generally have to be modified in order not to impair or harm the legitimate aspirations of other subbasin areas.

FUTURE "WATER-ECONOMIC" BUDGET



Thus, the basin plan will be built upon adjusted subbasin area budgets. Where basins lie in more than one State, the State authorities should agree on basin plans. State over-all plans would be based upon the plans of the intrastate basins plus those portions of interstate basins within its borders.

Subbasin "water-economic" budgets may also serve as:

(1) Aids in selecting areas having the most urgent problems or where existing local actions are not geared to the scope of these problems.

(2) Guides in deciding upon priority and scope of the most urgently needed phases of a long-range program.

(3) Continuing means for comparing forecasted needs with those actually experienced, and for determining the extent to which the various phases of completed work have contributed to the over-all solution of the drouth problem.

F. Examples of Choice

To give concrete examples, a subarea basin study should reveal from an analysis of the alternate potentialities whether it is worthwhile to provide minimum flows for navigation or power development downstream or whether the water is more valuable for beneficial consumptive uses upstream. The needs for the various types of industries must be determined. The best uses of land and other resources must be explored.

Local people must decide whether it is more important to utilize certain quantities of the water supply potentials for new industries rather than to provide water for additional crops and pastures either by irrigation or by land treatment measures that retain the precipitation on the land where it falls.

Again it must be decided whether it is worthwhile to attempt to recharge underground reservoir storage (aquifers) or whether under the accepted probability of exhausting underground storage, to deliberately mine it for a period of, say, three or four decades, with a view later to changing the economy to one requiring less water, such as from crops to grazing or to industries requiring little water usage. New Mexico made the latter choice and is knowingly proceeding to "mine." The cost of recharging as an economic proposition may be prohibitive.

With respect to crops, any regional economy that has to be supported frequently is generally suspect as to whether it is founded on an unstable foundation and the reasons why it has to be so supported should be investigated. The Dean of one of our outstanding colleges of agriculture believes that it is the land use question in the Great Plains which is at the heart of the problem. In other words, should the economy be changed from that of one type of crop to another type requiring less water, or should it be changed from crops to grazing.

G. Example of Planning Difficulties Involved in Trinity River Basin, Texas

As an example of the range of problems and conflicting plans which may be encountered in one area, the Trinity River Basin in Texas is illustrative. In this basin the present development and plans for the future are shown on Chart 14, "Trinity River Basin - A Typical Problem." The unsolved problems include:

(1) Intensive land treatment and local flood control measures, under the sponsorship of the Soil Conservation Service, that may affect runoff needed for municipal water supply.

(2) Integration of Corps of Engineers flood control projects, in which the originally provided conservation space is now proving inadequate, with the upstream flood control work of the Soil Conservation Service.

(3) Municipal reservoir plans for both Dallas and Ft. Worth that compete with each other, and in which necessary dam sites are involved in litigation with the farmers who own the land.

(4) Rice irrigation in the lower reaches which depends in part upon the same runoff as do the cities, or upon the return sewage flow from the cities.

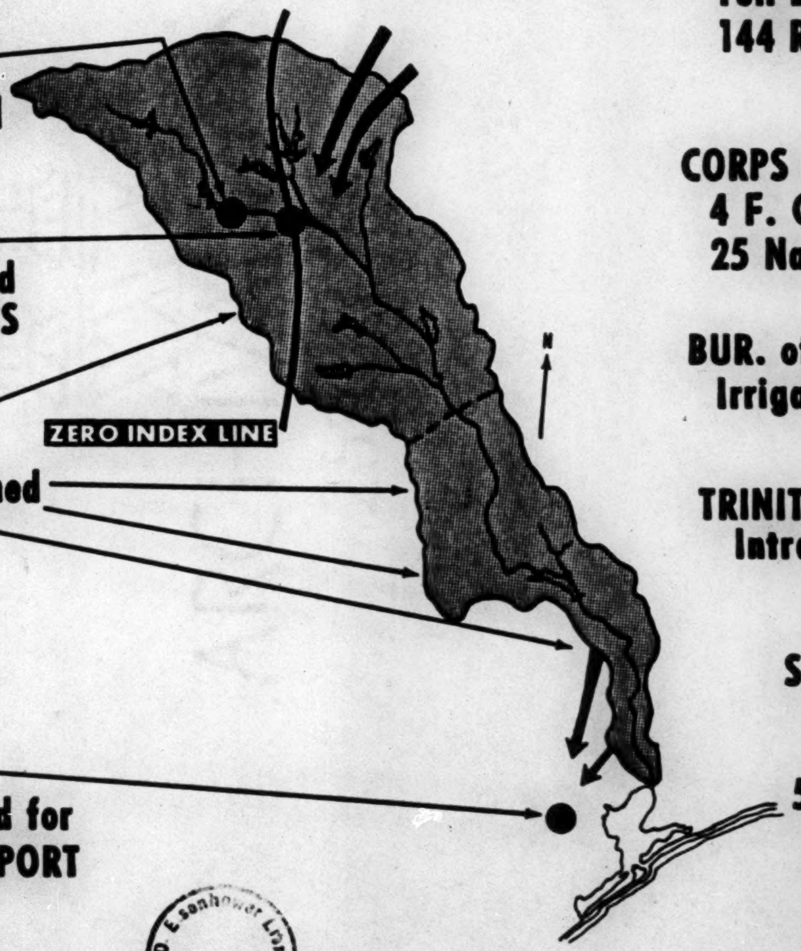
(5) Further irrigation development along the river being studied by the U. S. Bureau of Reclamation, which may require water being considered for other purposes.

(6) Navigation development planned by the Corps of Engineers, which will compete with other uses of water.

(7) Importation of water for Dallas into the upper watershed and planned exportation for Houston from the lower watershed, which could conflict with other plans for use of water.

TRINITY RIVER BASIN - A TYPICAL PROBLEM

MANY PLANS - NO COMPLETE OVERALL ANALYSIS



CITY & INDUSTRIAL SUPPLY

FORT WORTH
4 Res. Now, 2 Planned

DALLAS
4 Res. Now, 3 Planned
2 Transbasin IMPORTS

35 OTHER CITIES
18 Res. Now, 2 Planned

HOUSTON
2 Res. Planned for
Transbasin EXPORT

SOIL CONS. SERVICE
Full Land Treatment Upper Basin
144 Reservoirs Now 1116 Planned

CORPS of ENG.
4 F. C. Reservoirs Now 3 Planned
25 Nav. dams planned

BUR. of RECLAMATION
Irrigation being studied

TRINITY RIVER AUTHORITY
Intra basin only

STATE BASIN PLANNING

50 LOCAL AGENCIES
Rice irrigation
Navigation
Saltwater Barrier

(8) A basin-wide plan by the Trinity River Authority, to which planning and development functions have been delegated by State law, which plan is in conflict with certain other planned developments.

All of the uses of water contemplated in these various plans cannot possibly be satisfied. Economic studies are required to determine which use would contribute most to the long-range welfare of the people.

H. Research

Concurrently with the development of basic basin "water-economic" plans, research and experimentation should be continued and expanded. Such research should be aimed at securing technological advances, such as new farming methods and crops, evaporation control, effective means of obtaining increased ground water recharge, saline water conversion and weather prediction or control. There should also be means of keeping local groups currently informed of progress in research, planning, legislation, construction, and operation of all types of activities bearing on the drouth problem.

I. Summary of Method

Chart 15, "Steps of Survey," illustrates what the steps of the method outlined for solving the drouth problem would be:

(1) For each subbasin a present "water-economic" budget would be prepared.

(2) For each subbasin alternate future "water-economic" budgets would be developed.

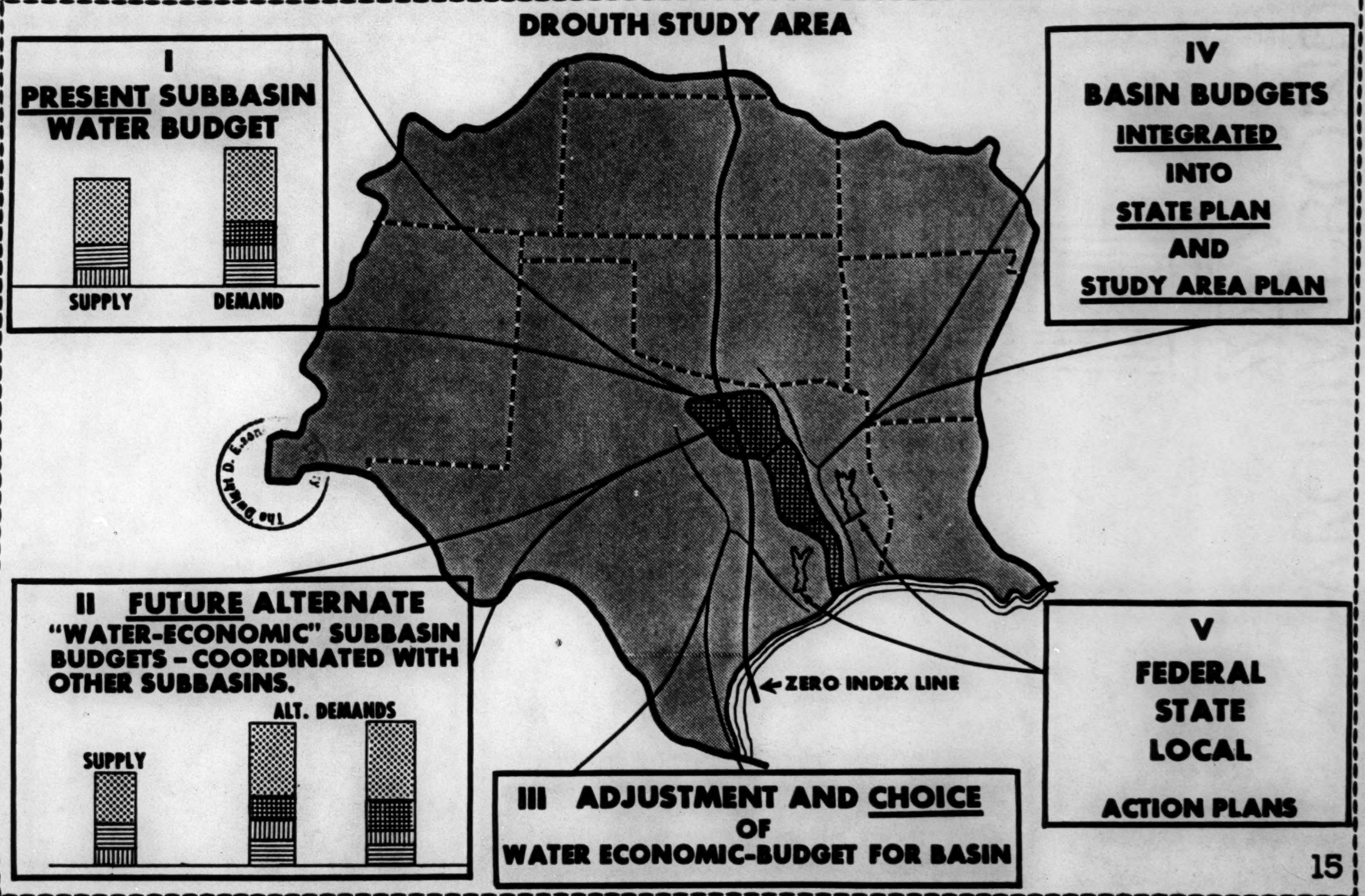
(3) Choice and adjustment of alternatives in future subbasin "water-economic" budgets would be made by communities, basins and regions to obtain integrated basin and regional plans.

(4) Similarly, future subbasin and basin "water-economic" budgets would be adjusted to obtain coordinated State and Drouth Study Area Plans.

(5) From these, over-all plans, Federal, State, and local action plans, and programs would be developed.

(6) Continuous review to meet changed conditions.

STEPS OF SURVEY


DROUTH STUDY AREA
SUPPLY
DEMAND
ALT. DEMANDS
SUPPLY
ZERO INDEX LINE

I
PRESENT SUBBASIN WATER BUDGET

II **FUTURE ALTERNATE**
"WATER-ECONOMIC" SUBBASIN BUDGETS – COORDINATED WITH OTHER SUBBASINS.

III **ADJUSTMENT AND CHOICE**
OF
WATER ECONOMIC-BUDGET FOR BASIN

IV
BASIN BUDGETS
INTEGRATED
INTO
STATE PLAN
AND
STUDY AREA PLAN

V
FEDERAL
STATE
LOCAL

ACTION PLANS

The end product would be a basic economic plan, for the region, for each basin, and for each State which would provide (1) for development of all feasible additions to water supply; (2) for adjustment of the segments of the economy as the people of the parts of the basin elect, balanced and adjusted within basins to the needs of all areas and to the available water supply; and (3) a general summary of the kinds of works needed. Individual projects would not be pinpointed but their quantitative requirements and approximate locations would be estimated. The extent of land treatment, land use changes, amounts of over-all storage, and new industrial development possibilities and their locations would be determined.

Such a truly integrated survey has never been made. It insures local participation from the start. It would be a new approach to combination economic and water development studies. Complete unanimity has been found as to its soundness and desirability. It could save many millions in avoidance of unsound activities.

VI. FURTHER ACTIONS INDICATED

A. Federal Leaderships - Local Decision

To effect such a study, Federal leadership is necessary because of the very fact that it must be regional and the region and many of its basins are interstate. However, the basic work should be performed through cooperative efforts of all interests concerned. The fundamental decisions as to future economic patterns and water budgets would be made by the local people. The assistance of the Federal Government would be largely technical. There would not be any proposals by the various functional branches of the Federal Government that this or that must be done. They would furnish information and assistance in developing what can be done. This does not mean that any present program would be curtailed but that additional works and programs would be based on these requirements when agreed upon. The Federal Government would continue within its present functions to build such storage and other structures as needed. The difference would be that the integrated plans would be, in fact, developed and this by the local communities and States as their own choice suited to their climatic conditions and future growth potentials.

B. State and Local Collaboration

The collaboration of the State Governments concerned would be sought, not only in conducting the study and sharing in its work, but also in its findings. Active participation by their agencies, as well as that of all basin committees and local groups, would be established. Existing interagency committees, wherever established, would be utilized for liaison with State and local authorities. The fundamental regional study would become a basic guide for State plans and interstate compacts and local government planning. Interstate Compact Commissions would be utilized to work out agreements on water-economic problems for basins extending over more than one State.

C. Plans for Legal and Legislative Measures

Drouth alleviative measures such as irrigation projects in the semiarid regions and water supply projects in the humid regions can generally be implemented under existing laws by existing agencies, or by agencies created for such specific purposes. However, the complex pattern of actions required in the dry and semiarid regions transcends many established limitations such as political boundaries, legal rights and policies and the scope and policies of existing agencies. To implement these actions it will be necessary in certain cases to obtain additional legislation to establish new controls and administrative procedure, and to define certain conflicting rights and responsibilities in the courts.

Both the need for such actions and the form they take can be determined only by the interested persons and groups, starting in local areas of each State and proceeding mainly through the channels of local and State governments.

These will be slow processes, but work along these lines is starting. At the Federal level, an outstanding advance is in the recently passed Rivers and Harbors Act, which provides for inclusion in Federal reservoirs of water supply storage for potential users. The State of Kansas in 1945 passed laws providing for State control for appropriation and use of all unused surface and ground water. In 1955, an excellent analysis of the State's water problems entitled "Water for Kansas" was presented to the Governor and the State Legislature in response to an authorization by the State Finance Council in 1954. As a result of these recommendations, a Water Resources Planning Department was organized and is making excellent progress in the preparation of subbasin reports containing water and land resources planning. Further legislation to implement project work is contemplated.

In Texas, several committees with state-wide membership appointed by the Governor have been working during the past six or eight years in preparing a series of laws aimed at better control and utilization of surface water and aiding locally initiated water supply projects. They were enacted by the last session of the Legislature. This legislation also added a Planning Division to the existing State Board of Water Engineers and work on State water planning data is getting started.

Many organizations, State and local Chambers of Commerce, and other groups have become very active throughout the drouth area in informing themselves and their communities on the problem and in studying and recommending action to assist in solutions.

D. Available Data

1. Additional Studies Required

The basic data now available from past studies in this region could practically all be used. If all the basic data for such a study had to be collected, it would require extensive field investigations and compilations. An integrated study as outlined would accordingly be far less expensive than the ones which have been made in the past by the various agencies, Federal, State, and local. The additional studies required would be primarily those wherein the economics and the peculiar characteristics of the region and its growth potentials have not sufficiently been taken into consideration, and also in areas that have been relatively ignored in the past or insufficiently explored. These would include: (1) the extent and reliable volume of underground aquifers; (2) recharge of aquifers; (3) comparative economics of water use as related to industry, mining, agriculture, grazing, domestic supply; (4) desirable changes in land use and types of crops, which will require completion of soil surveys and research on crop water requirements.

To the extent possible, specific conclusions should be reached as soon as possible to assist in making up future "water-economic" budgets. For example, early findings are necessary on the best types of grasses suitable and available for grazing, adapted to the soil and climatic conditions in the various regions; the best methods of improving water quality by reducing or eliminating its objectionable mineral and chemical contents; what types of industry would be suitable and profitable for particular areas; just where early economically feasible interbasin transfers of water into an area and wherefrom might be made.

2. Adequacy of Existing Data

To some extent the work of each agency covers surveys of water use, forecasted needs, and plans for development of additional supplies.

These activities overlap, however, and are not necessarily carried out along comparable lines. Moreover, most of the data and plans reported by these agencies are not subdivided so as to permit their use in preparation of detailed water budgets for individual areas as previously described. To obtain full value of all of these efforts in aiding solution of the drouth problem, the results of these efforts need to be collected, reviewed for uniformity of methods and consistency of results, and then subdivided according to suitable areas for which a common water budget will be reasonably applicable. Most of the agencies, Federal, State, and local, could readily provide their data so subdivided, but before they can do this the proper limits for subdivision of the data must be decided and clearly defined, and the form in which the data is to be presented must be determined, so that all of it will apply consistently to the preparation of "water-economic" budgets.

E. Economic Data

The achievement of a complete economic balance for any given area is an exceedingly complex problem. Many of the factors, involved are so interrelated and co-dependent that a slight change in one will set off a chain reaction of changes in virtually all the others. One of the most fundamental factors, for example, is the future available water supply, but the price of such water for irrigation and industrial use (price is not a significant factor for domestic use) will control the quantity of water that will be developed, which in turn will control the growth of these uses in the area. A factor such as local initiative is almost impossible to predict.

In making future forecasts for securing economic balance, therefore, the problem must be reduced initially by considering only the major factors. As a starting point, the anticipated future water needs can be based on forecasts such as those previously made by the Arkansas-White-Red Interagency Committee and the Bureau of Business Research in Texas. These forecasts should then be adjusted, as well as possible, after considering such major factors as probable price of water for irrigation and industrial use, as indicated by existing or planned projects in the area; the natural resources of the area; and the alternative means of developing these resources.

VII. ORGANIZATION FOR SURVEY

A. Suggested Composition of Board

Since the responsibility and objective would be above and beyond those of any Federal agency, it is proposed that a three-member Board be established to direct the study. The President would appoint a Chairman and two other members of the Board from among impartial leaders in such fields as agriculture, engineering, industry, economics, and public administration. They would not be selected on the basis of representing any particular agency or interest but would be picked on the basis of their background, statesmanship, fairness, ability, experience, and integrity. At least two should be from the drouth area. The proposed organization is shown on Chart 16, "Organization for Survey."

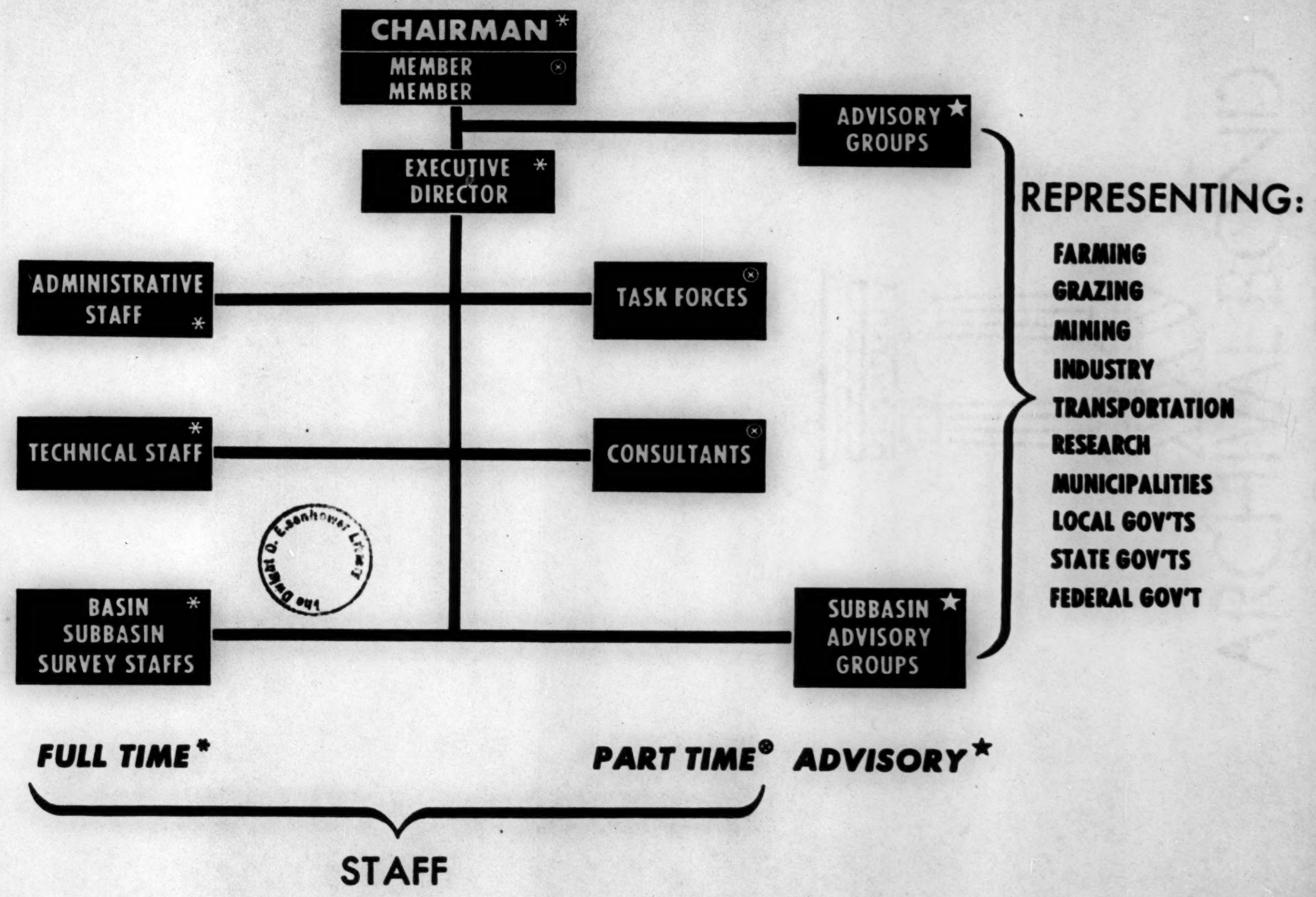
The Chairman of the Board and an Executive Director would be full-time officials. The Board would have the authority to request and receive advice, data, and assistance from local, State, and Federal agencies. The Executive Director would supervise a small full-time staff of highly-trained experts obtained from local, State, and Federal sources. This staff would be assisted by part-time special consultants and task forces. The task forces would study both general problems, such as varying ways of achieving a balanced economy, and specific problems, such as coordination of hydrologic data.

The staff, with the assistance and cooperation of Federal, State, and local groups, would make comprehensive studies of selected subbasins using existing data whenever possible. The staff would have two major divisions: a division of technical and administrative services and a division of subbasin planning. The division of technical and administrative services would provide the expert assistance of hydrologists, soil scientists, agricultural experts, economists, lawyers, etc., needed for over-all planning and planning for the subbasins.

The planning division would direct the basin and subbasin planning units. Each would be led by a planner to synthesize findings regarding subbasins and draw up long-range and master plans. Subbasin citizens' groups would assist the subbasin units.

It would be the responsibility of the Board to secure the proper perspective not only from the traditional viewpoint of basin development but through the telescope centered on homogeneous economic areas having common interest problems which would often not necessarily accord, geographically and economically, with basin patterns, until adjusted. It would look at broad economic and sociological aspects of the area. It would not be confined to the narrow functional interests of specific Federal agency programs. It would be uninhibited by agency unilateral preferments. It would examine into the entire spectrum of the life and resources of the region.

ORGANIZATION FOR SURVEY



CHAIRMAN *

MEMBER ⊗
MEMBER

EXECUTIVE DIRECTOR *

ADVISORY GROUPS ★

ADMINISTRATIVE STAFF *

TASK FORCES ⊗

TECHNICAL STAFF *

CONSULTANTS ⊗

BASIN SUBBASIN SURVEY STAFFS *

SUBBASIN ADVISORY GROUPS ★

REPRESENTING:

- FARMING
- GRAZING
- MINING
- INDUSTRY
- TRANSPORTATION
- RESEARCH
- MUNICIPALITIES
- LOCAL GOV'TS
- STATE GOV'TS
- FEDERAL GOV'T

FULL TIME * PART TIME ⊗ ADVISORY ★

STAFF

It would be a study for the President and the general public which could be made available to the Congress in a manner similar to that developed for other areas of activity including aviation facilities. It would also be made available to the Governors of the States. It should include recommendations as to how its findings might be put into practice and how continuing attention, review, and publication of data in the future might be assured. It should see that appropriate groups are organized to succeed the Board in following through with the work in the future. In itself it would not be an action program but would lay the foundation for subsequent implementation through programs of Federal, State, and local interests after decisions are made by people of the region on the basis of adequate information on which they can make an enlightened choice.

B. State and Local Advisory Group

An important element would be an advisory group with members from all State and local governmental agencies having functions, responsibilities, and interests in the drouth area and from all segments of the economy -- crops, grazing, mining, industry, municipal development, and public administration. The subbasin and basin staffs would have similar advisory groups.

C. Cost and Financing

A study of this type could be very effective and could be accomplished at a cost of not more than $950,000 for the nucleus staff. It should not require over two years to complete. It could be undertaken by direction of the President without legislative authority. It would be very desirable to finance the study with funds other than those available to the agencies. As a suggestion, it could be financed out of funds available to the President such as those provided under the Special Projects appropriation. A small amount could be allotted from available funds to initiate the work in fiscal year 1959 with a view to inclusion of an item under this appropriation in the subsequent Budget request to cover completion of the study. This would be augmented by contributions of the States in services, work, and funds and by assistance of the Federal agencies within their authorities.

D. Summary of Principles

Summary of Principles for Development of a "Water-Economic" Budget Plan for the Drouth Area:

(1) It must take into account the basic physical and economic characteristics of the region, with functional developments balanced in subordination thereto.

(2) It must be adapted to the future economic growth of the region.

(3) It should provide for the optimum development of "water-economic" balance in the subbasins, basins, States, and region as a whole.

(4) It should provide a basis for selecting the best alternate over-all plan.

(5) It should have Federal leadership and assistance without dictation.

(6) It should have active participation by State and local groups.

(7) The final development would be primarily the plan of the people of the region.

(8) It would be developed by technical experts, Federal, State, or local, public or private.

(9) It should eventually receive the approval of Congress and the States concerned as the basic long-range policy plan for the region.

VIII. RECOMMENDATIONS

It is recommended that:

A. A comprehensive, independent survey be undertaken to set forth alternative policies, plans, and programs, for achieving long-term economic stabilization of the drouth area. The survey would involve the development of a basic integrated "water-economic" budget plan for the southern half of the drouth area based on the principles outlined above. The study would focus on the unsolved central problems unique to the drouth area that cut across and go beyond the responsibilities of existing agencies. The study would be expected to present practical ways of carrying out its recommendations.

B. The survey be conducted by a Board to be known as the Drouth Survey Board, consisting of three members appointed by the President.

C. Upon completion of the study the results be furnished to the President, the Congress, and the State Governors for their use with the objective that it may become the basis for the proper future development of the entire drouth area.

THE SECRETARY OF THE INTERIOR
WASHINGTON

December 24, 1958

Memorandum to Mr. Robert Gray, Secretary to the Cabinet

The Jones Subcommittee on Public Works of the House Government Operations Committee currently is reviewing an Interior Department survey report on its "Saline Water Conversion Program".

We are advised that the committee staff currently is in the process of writing a subcommittee report and commentary.

In this connection, subcommittee staff members have requested that the Interior Department also furnish them with a copy of the statement they understand was made by Secretary Seaton before the Cabinet on the subject of saline water studies. We are told that the subcommittee desires to say that he made such statements to the Cabinet.

The Secretary's basic statement to the Cabinet has been given public distribution but only as a Secretarial statement and not as a statement to the Cabinet.

I am therefore confronted with the question, have we the authority to give the statement to the committee as a Cabinet presentation, or does the privileged nature of Cabinet matters require us to insist that the committee allude to the statement only as a statement of the Secretary without identifying the circumstances under which the statement was made.

Lorne
Lorne Kennedy
Assistant to the Secretary

RG said "go"
12/30/58

CABINET BRIEFING

SALINE WATER CONVERSION

presented by

FRED A. SEATON, SECRETARY

DEPARTMENT OF THE INTERIOR

WHITE HOUSE
August 8, 1958

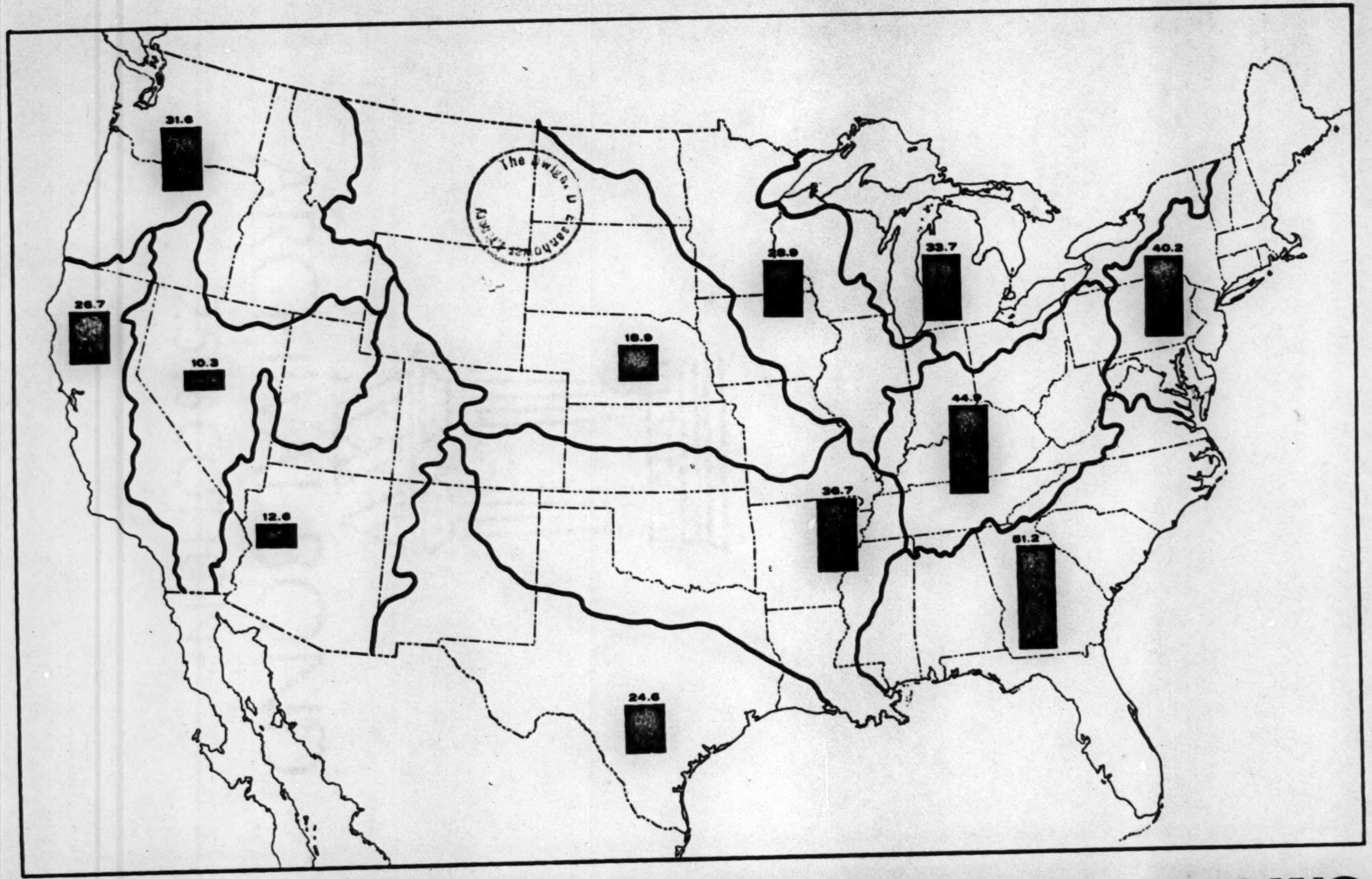
REVIEW OF SALINE WATER CONVERSION PROGRAM

CHART #1

For your general information we should like to present a brief sketch of the past accomplishments and future prospects of the Department of the Interior's program for converting saline water--sea water or brackish ground water, now largely unusable-- into fresh water which can be used for industry, agriculture, and human consumption. The need for such a program should be obvious. Water is the United States' most valuable natural resource, and we are using more and more of it with every passing year.

This map, which shows the annual average rainfall of various regions in the United States, might be misinterpreted as evidence that we have enough rain to meet all our foreseeable needs, except possibly in some of the more arid regions of the Southwest where precipitation averages only ten and three-tenths inches a year, compared to fifty-one and two-tenths inches in the south Atlantic States.

Actually, however, not all the rain that falls can be used.

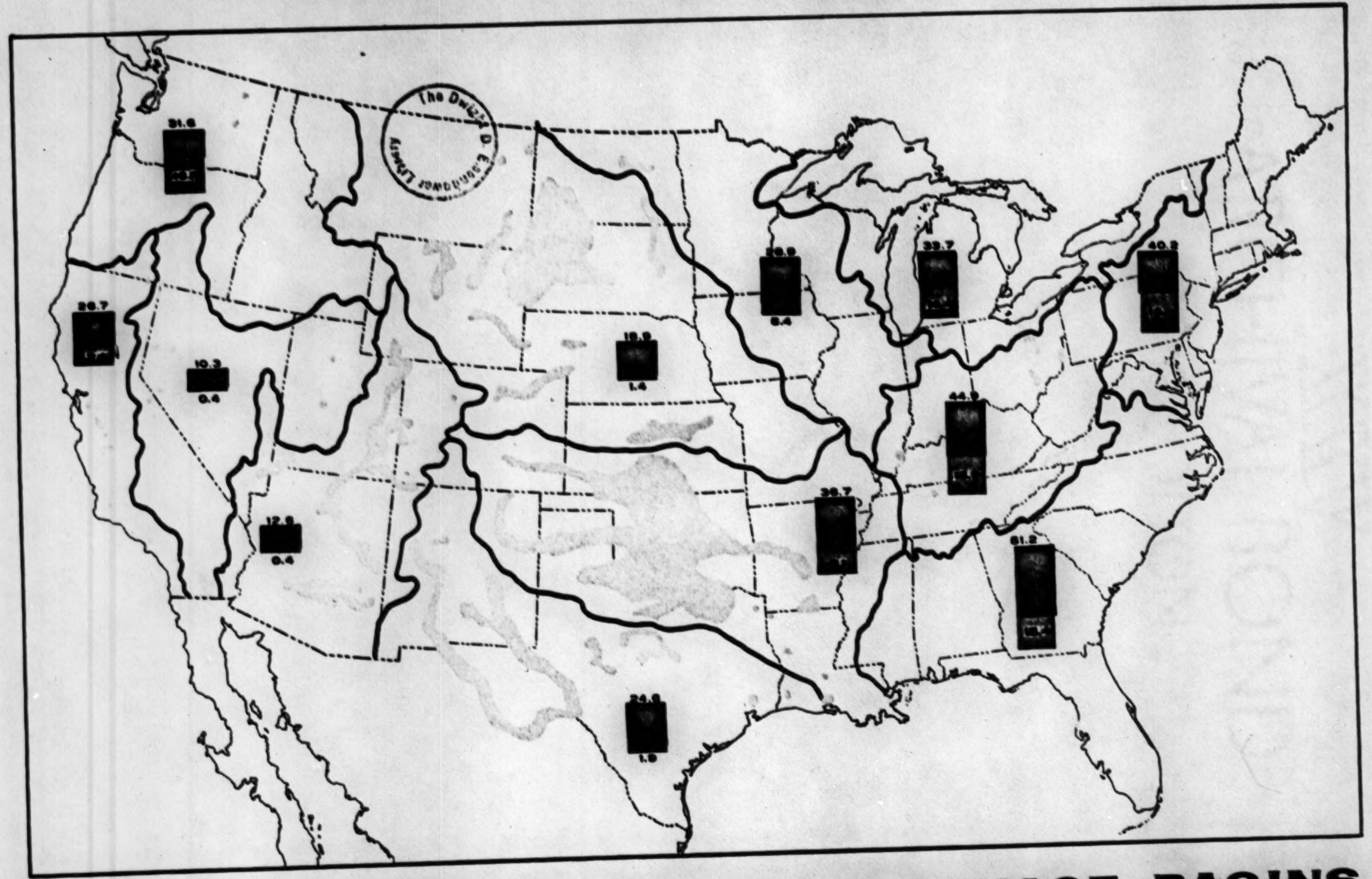

31.6
26.7
10.3
12.6
18.9
28.9
33.7
40.2
44.9
36.7
51.2
24.6

PRECIPITATION BY MAJOR DRAINAGE BASINS

OVERLAY

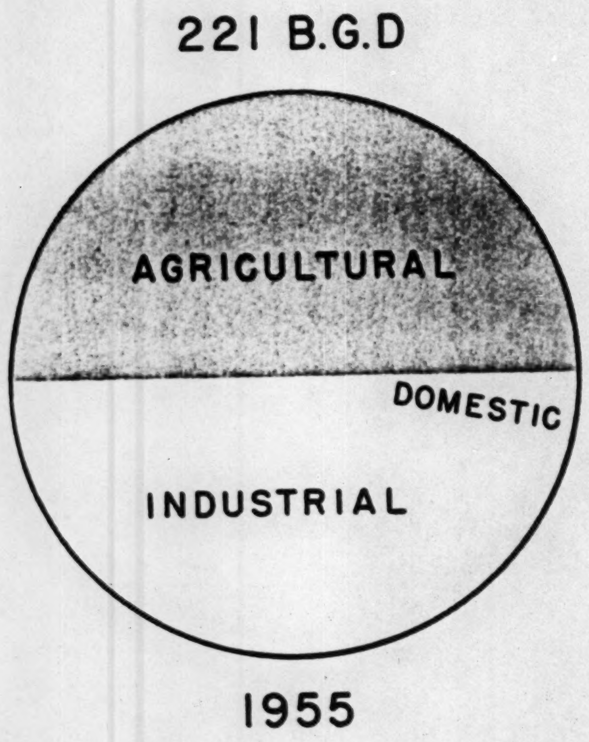
Water losses due to evapo-transpiration and surface saline pollution, drastically reduce the amount of runoff water available for agricultural, industrial, and domestic demands. The red bars on the chart indicate the amount of precipitation that is lost through evaporation and transpiration as well as the percentage now put to consumptive use. On the West Coast, for example, of a total average rainfall of twenty-six and seven-tenths inches, approximately ten and one-half inches is lost due to evaporation, six and nine-tenths inches due to transpiration and one and nine-tenths inches is now put to consumptive use leaving only seven and four-tenths inches to become runoff, and not all of this balance can be captured and put to beneficial use. Further depletions in the available natural supply is caused by saline pollution indicated by the blue areas on the chart. On the West Coast, of a total average rainfall of 26.7 inches, only 7.4 inches become runoff, and not all of this can be captured and put to beneficial use.

LOSSES THROUGH EVAPO-TRANSPIRATION, CONSUMPTIVE USE AND SALINE POLLUTION


31.6
26.7
10.3
0.4
12.9
0.4
18.9
1.4
24.6
1.9
28.9
8.4
33.7
40.2
44.9
38.7
51.2

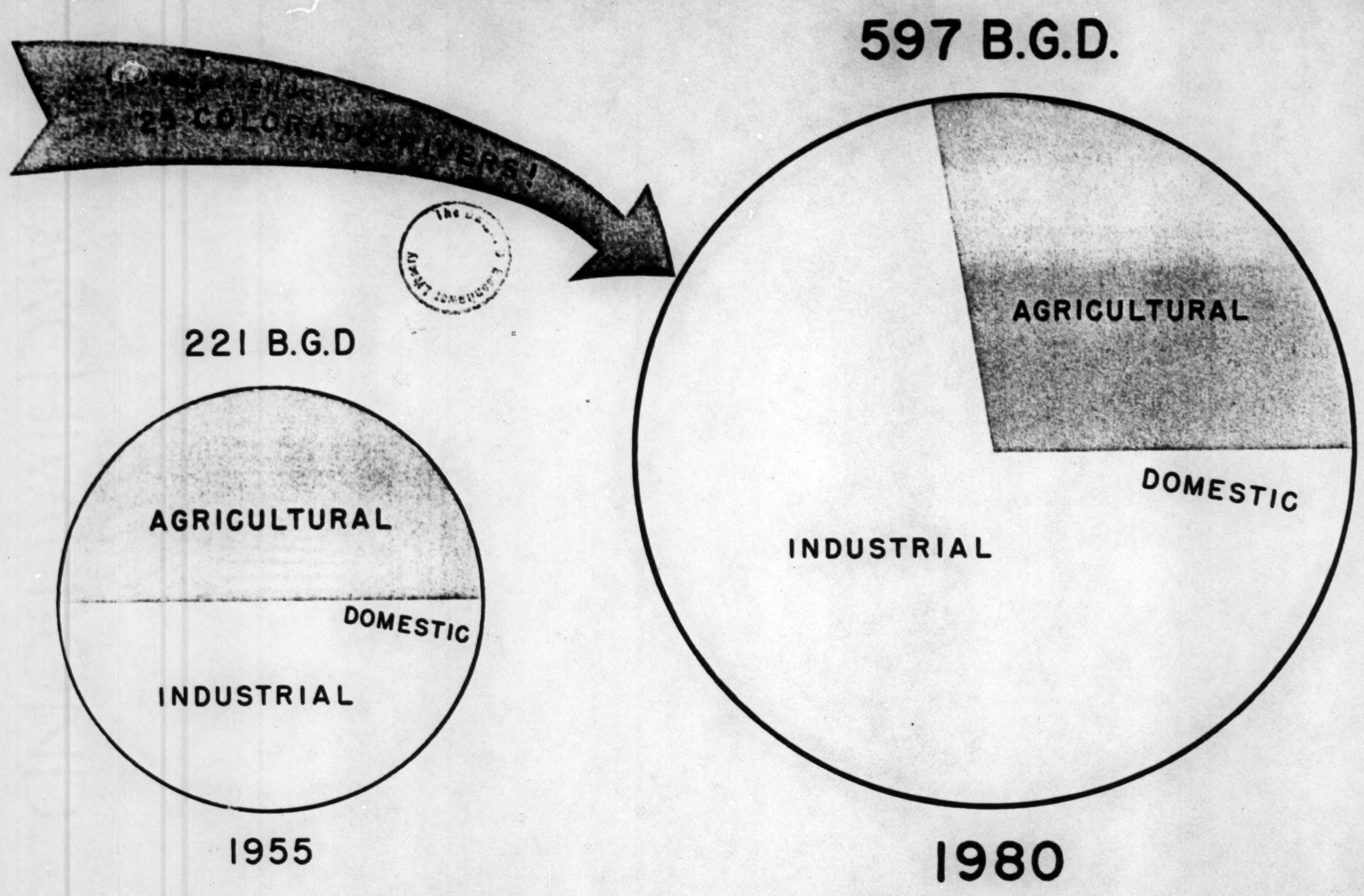
PRECIPITATION BY MAJOR DRAINAGE BASINS

CHART #2 The demands of the American economy for fresh water stagger the imagination. In 1955, we used 221 billion gallons of water per day.



USE OF FRESH WATER IN THE UNITED STATES

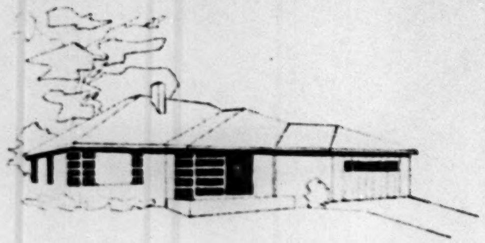
OVERLAY By 1980, the U. S. Geological Survey estimates, an expanding economy and exploding population will require every day the immense total of 597 billion gallons -- an amount equal to the daily flow of 25 Colorado Rivers! And in the final decades of this century, the curve will continue to rise.



ESTIMATED USE OF FRESH WATER IN THE UNITED STATES

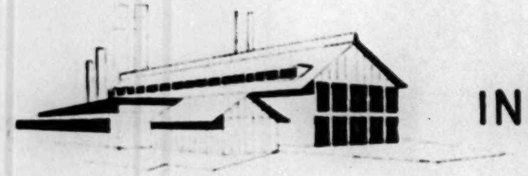
CHART #3 What's behind this unmistakable trend? For an answer, consider some typical water requirements. A five-minute shower requires twenty-five gallons of water. Watering the lawn for an hour through the standard home-size hydrant takes three hundred gallons. Industry requires as much as 240 thousand gallons of water to produce a ton of acetate, and as much as 660 thousand gallons to produce a ton of synthetic rubber. To produce one hundred barrels of synthetic fuel from coal requires a gigantic one million, one hundred fifteen thousand gallons. To grow the grain for just one slice of bread takes 37 gallons. A pound of beef requires 3,750 gallons, and a ton of alfalfa two hundred thousand.

TYPICAL WATER REQUIREMENTS



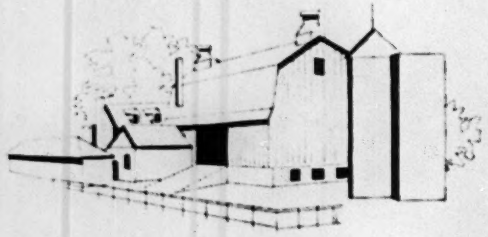
DOMESTIC

1-toilet flush	7 gals.
5-minute shower	25 "
water lawn (1 hour)	300 "



INDUSTRIAL

1-ton acetate	240,000 gals.
1-ton syn. rubber	660,000 "
100-bbls. syn. fuel from coal	1,115,000 "



AGRICULTURAL

1-slice of bread	37 gals.
1-lb. of beef	3,750 "
1-ton of alfalfa	200,000 "

CHART #4 The United States' ravenous current demand for water, in comparison with the current supply, is dramatically evident in this map showing American communities which in 1957 reported water shortages.

As you can see, the problem is a familiar one from coast to coast, in fact, 15 out of every 100 persons in the United States experienced restricted use of water during that period.

At least one implication in our ever-increasing use of water is unmistakable: we must find new sources of fresh water. And the most likely sources, obviously, are the great oceans, and the vast reserves of brackish inland waters.

REPORTED WATER SHORTAGES—1957

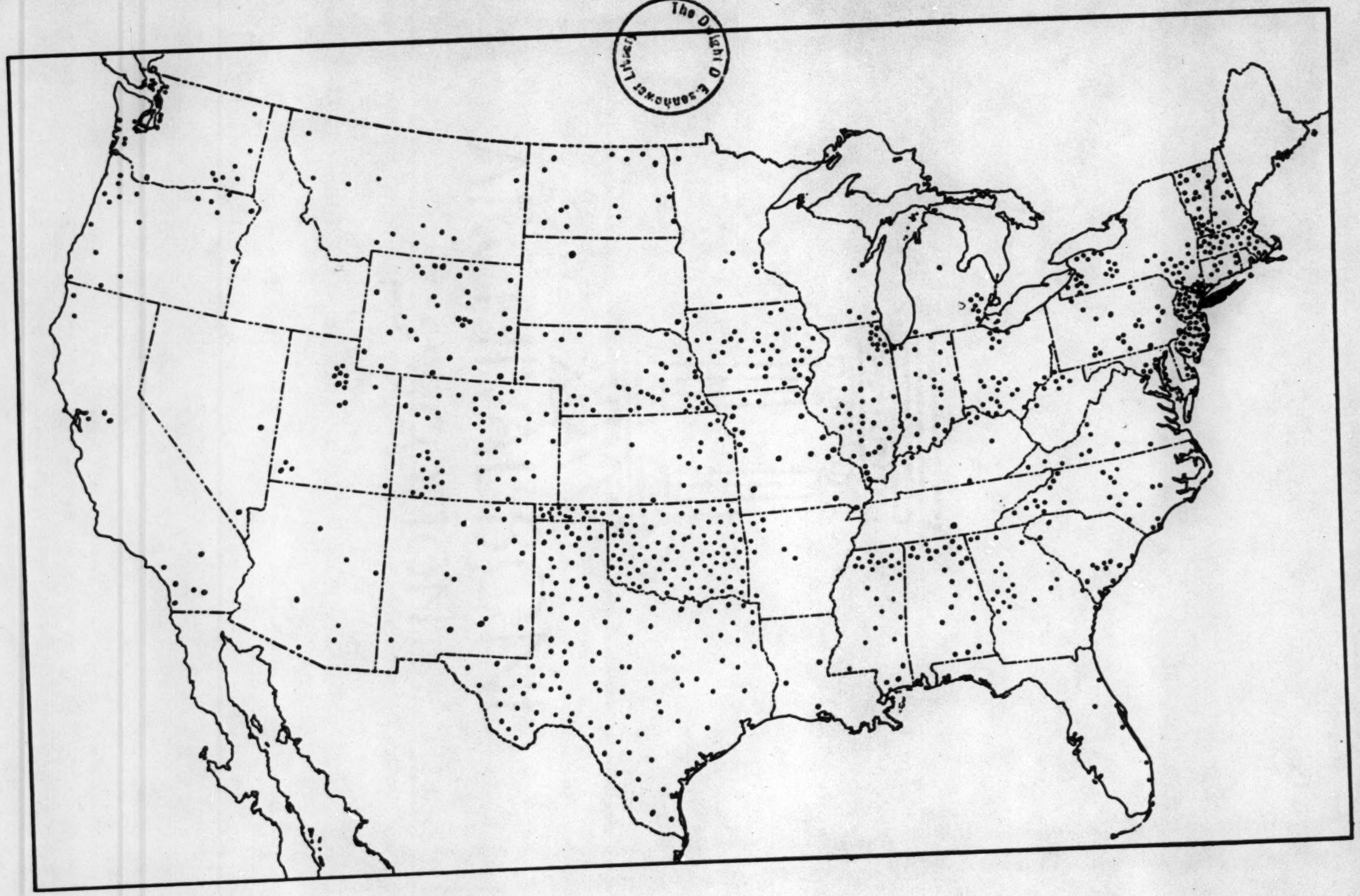
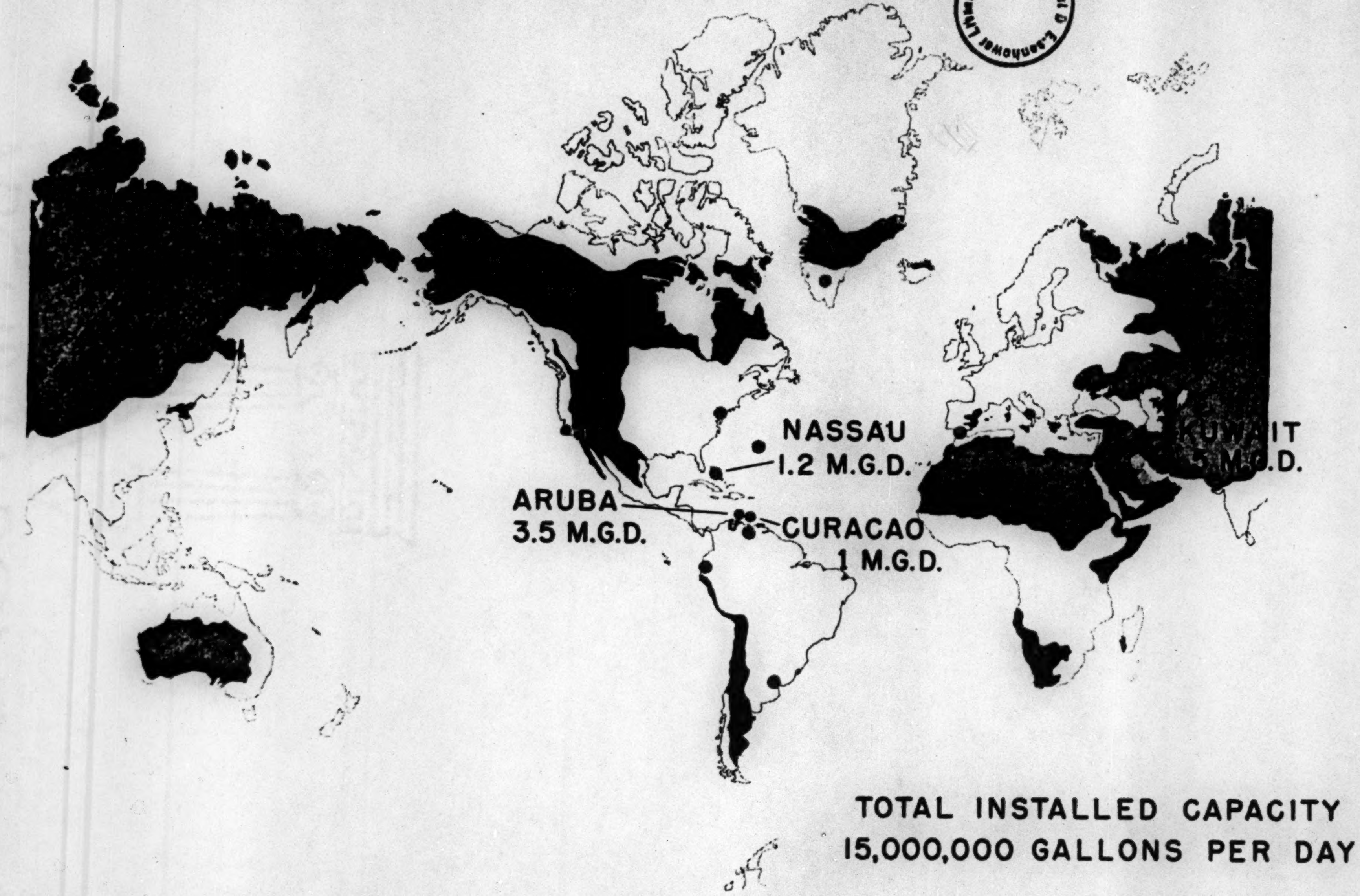


CHART #5 Already in widely-separated areas of the world, governments and industries are tapping this source, producing from it approximately 15 million gallons of fresh water every day. There are two plants, turning out a total of five million gallons a day, in the tiny oil-rich Shiekdom of Kuwait on the Persian Gulf. Plants on the island of Aruba in the Caribbean are converting 3.5 million gallons; a million-gallon plant is in operation on Curacao.

Based on our cost standards, these plants are expensive producers: their conversion costs are $2 or more per thousand gallons. But they are in existence because the costs of water from alternative sources are even higher.

The major problem is to bring the cost of conversion down. It is a problem engaging the efforts of scientists around the world.

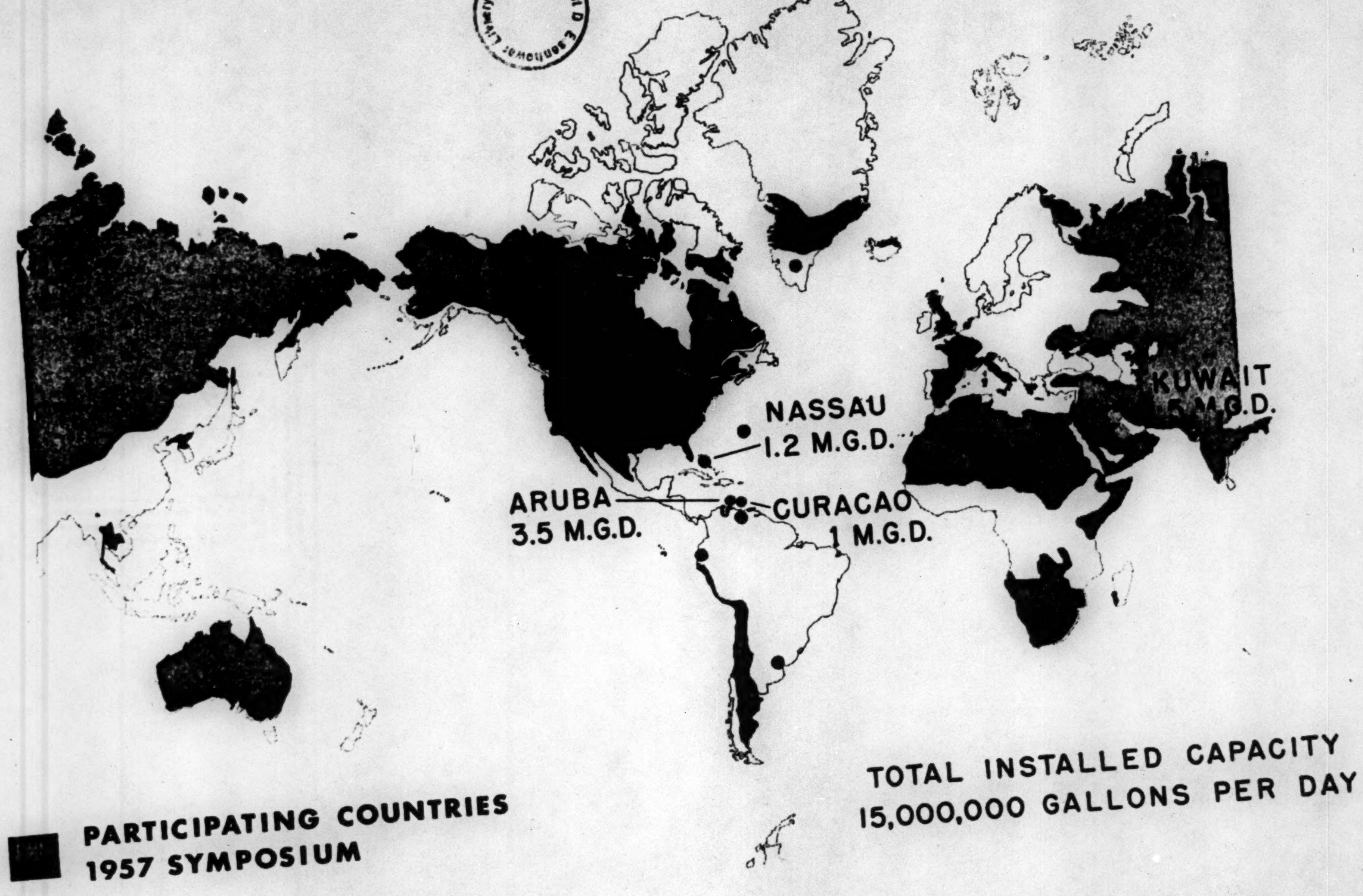
● MAJOR DISTILLATION PLANTS – ■ ARID AREAS


NASSAU
1.2 M.G.D.
KUWAIT
5 M.G.D.
ARUBA
3.5 M.G.D.
CURACAO
1 M.G.D.

TOTAL INSTALLED CAPACITY
15,000,000 GALLONS PER DAY

OVERLAY Last November under the joint sponsorship of the Department of the Interior and the National Academy of Science--National Research Council, representatives from sixteen countries met here in Washington for an International Symposium on Saline Water Conversion. From published reports and correspondence we know many other countries are vitally interested in this research and development program--especially countries located in the arid areas of the world--including Soviet Russia.

● MAJOR DISTILLATION PLANTS – ■ ARID AREAS


NASSAU
1.2 M.G.D.
KUWAIT
5 M.G.D.
ARUBA
3.5 M.G.D.
CURACAO
1 M.G.D.

TOTAL INSTALLED CAPACITY
15,000,000 GALLONS PER DAY

■ PARTICIPATING COUNTRIES
1957 SYMPOSIUM

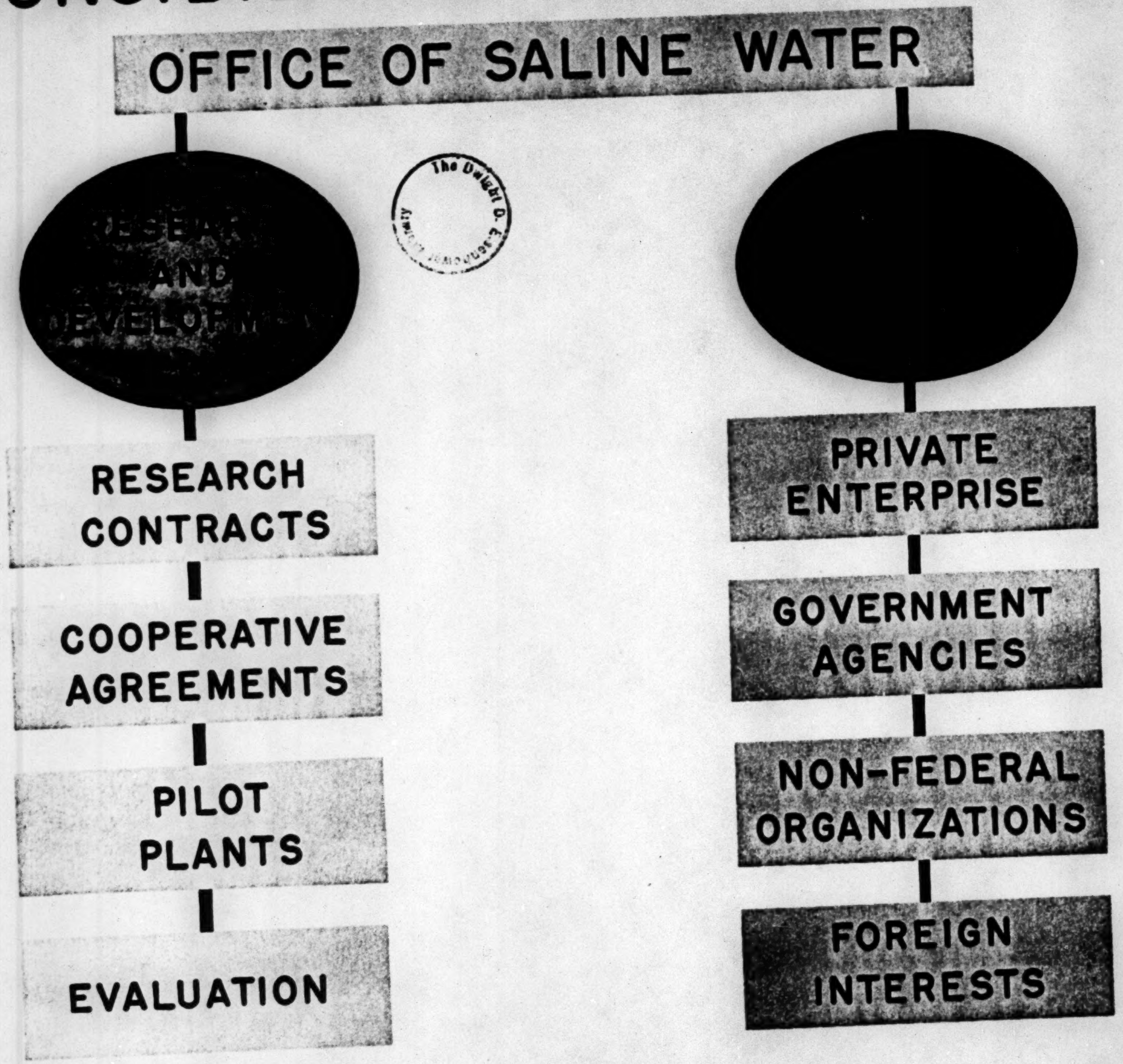
CHART #6 The United States Government's work in this field goes back to 1952, when the Congress passed the Saline Water Act, which authorized the appropriation of $2 million for a five-year program. In 1955 the authorization was increased to $10 million and the life of the program extended through 1963.

The responsibilities of the Office of Saline Water are twofold: (1) to carry out the research and development program both by means of contracts with private organizations and Governmental agencies and (2) to stimulate and coordinate private activities in saline water conversion.

In deciding who gets a contract and in making sure that any money granted is wisely used, the Office of Saline Water follows a process used by the National Science Foundation. There is a tremendous public interest in ways to obtain fresh water from the oceans. Over six hundred citizens have submitted ideas and proposals. The Office of Saline Water has carefully evaluated every proposal received. If it carries even the seed of a practical idea, it is submitted to several of the Office's scientific consultants--experts outside the Government--for review.

On the basis of the consultant's evaluation, the Office may proceed to negotiate a research contract. Research results are later scrutinized by the Office and its consultants. A favorable report may lead to further research or pilot plant development.

RESPONSIBILITIES AND PROCEDURES



OFFICE OF SALINE WATER

RESEARCH AND DEVELOPMENT

RESEARCH CONTRACTS

COOPERATIVE AGREEMENTS

PILOT PLANTS

EVALUATION

PRIVATE ENTERPRISE

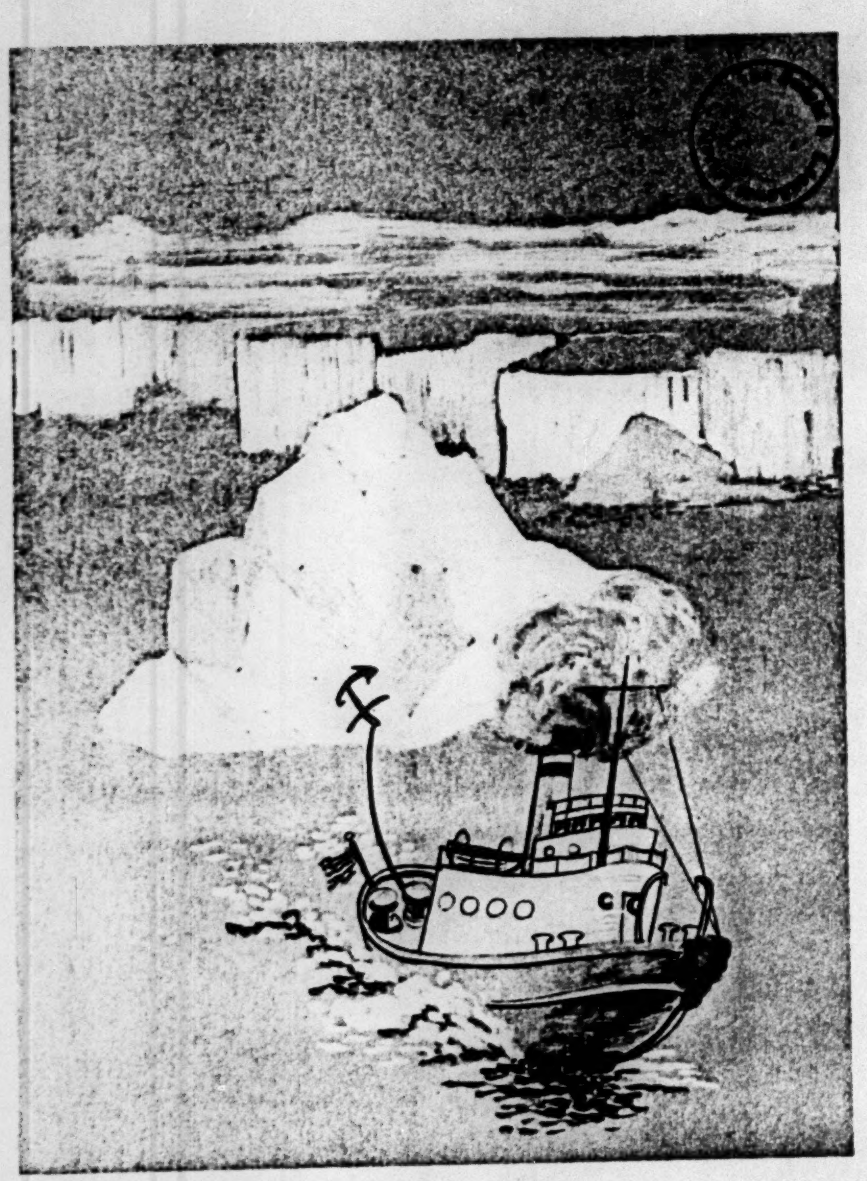
GOVERNMENT AGENCIES

NON-FEDERAL ORGANIZATIONS

FOREIGN INTERESTS

CHART #7 Not all suggestions we have received are worthwhile. One man, for example, thought it would be a good idea to tow icebergs from the Arctic to the United States, here to be melted down into fresh water. Another contract-seeker built his proposal around a rocket with a nose cone constructed of palladium--a metal, he claimed, which permits only hydrogen to pass through it. Fill the nose cone with oxygen, he went on, and shoot it into space. There it will surely eventually encounter a thick layer of the lightest known element, hydrogen. As the rocket passes through this blanket, the hydrogen will penetrate the palladium, and when twice as much hydrogen as oxygen is in the nose cone, you will naturally have H_2O--water! All you have to do is recover the nose cone.

REJECTED PROPOSALS



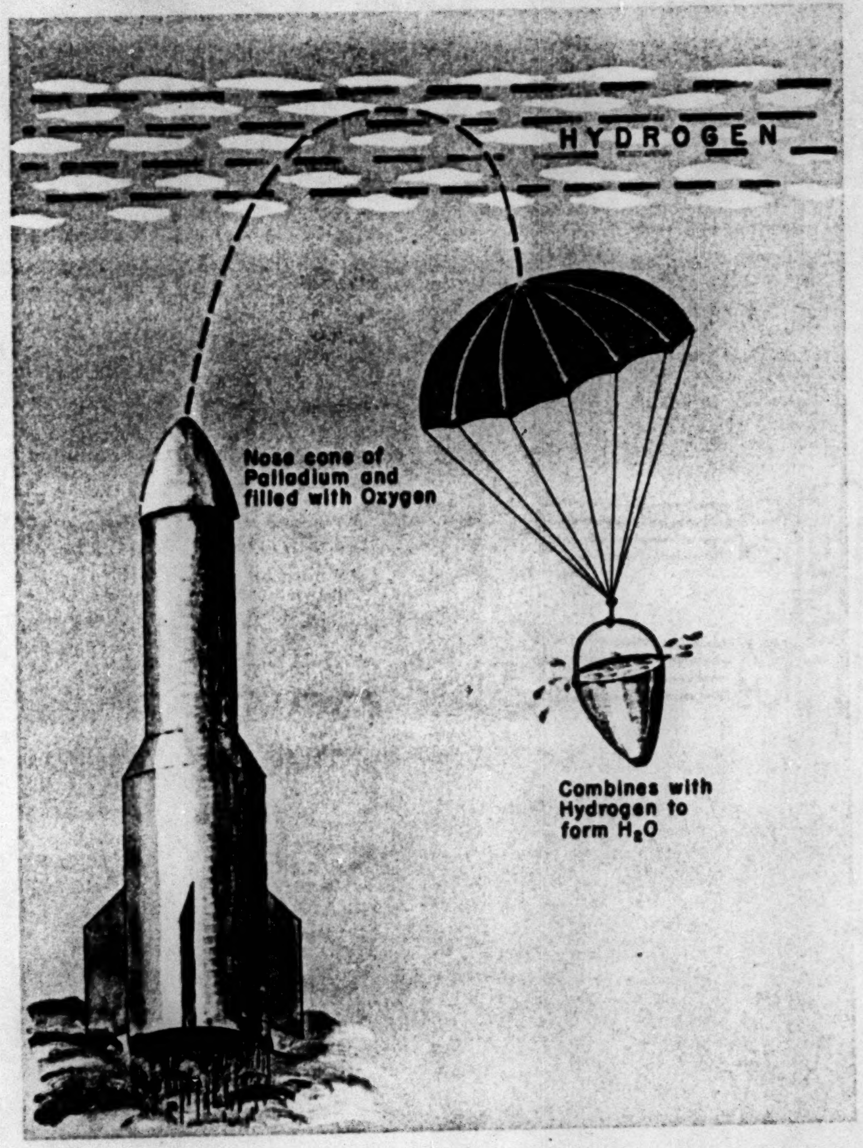

HYDROGEN
Nose cone of Palladium and filled with Oxygen
Combines with Hydrogen to form H_2O

CHART #8

In turning to major methods of conversion now under development, we must remember that different processes are suited to different geographical areas and different purposes. Some are best for supplying individual farmsteads or homes, others for furnishing millions of gallons every day to a city or industry.

Research is now concentrated on five major processes: distillation through artificial heat; salt separation by the use of membranes; by freezing; distillation through solar heat; and by other chemical or electrical means.

PROCESSES UNDER RESEARCH DEVELOPMENT

DISTILLATION

ATOMIC ENERGY

COMBINATION WITH POWER PLANTS

CRITICAL PRESSURE

MULTIPLE EFFECT

FLASH

VAPOR COMPRESSION

MEMBRANE

ELECTRODIALYSIS

OSMIONIC

FREEZING

ZONE FREEZING

FREEZE EVAPORATION

DIRECT FREEZING

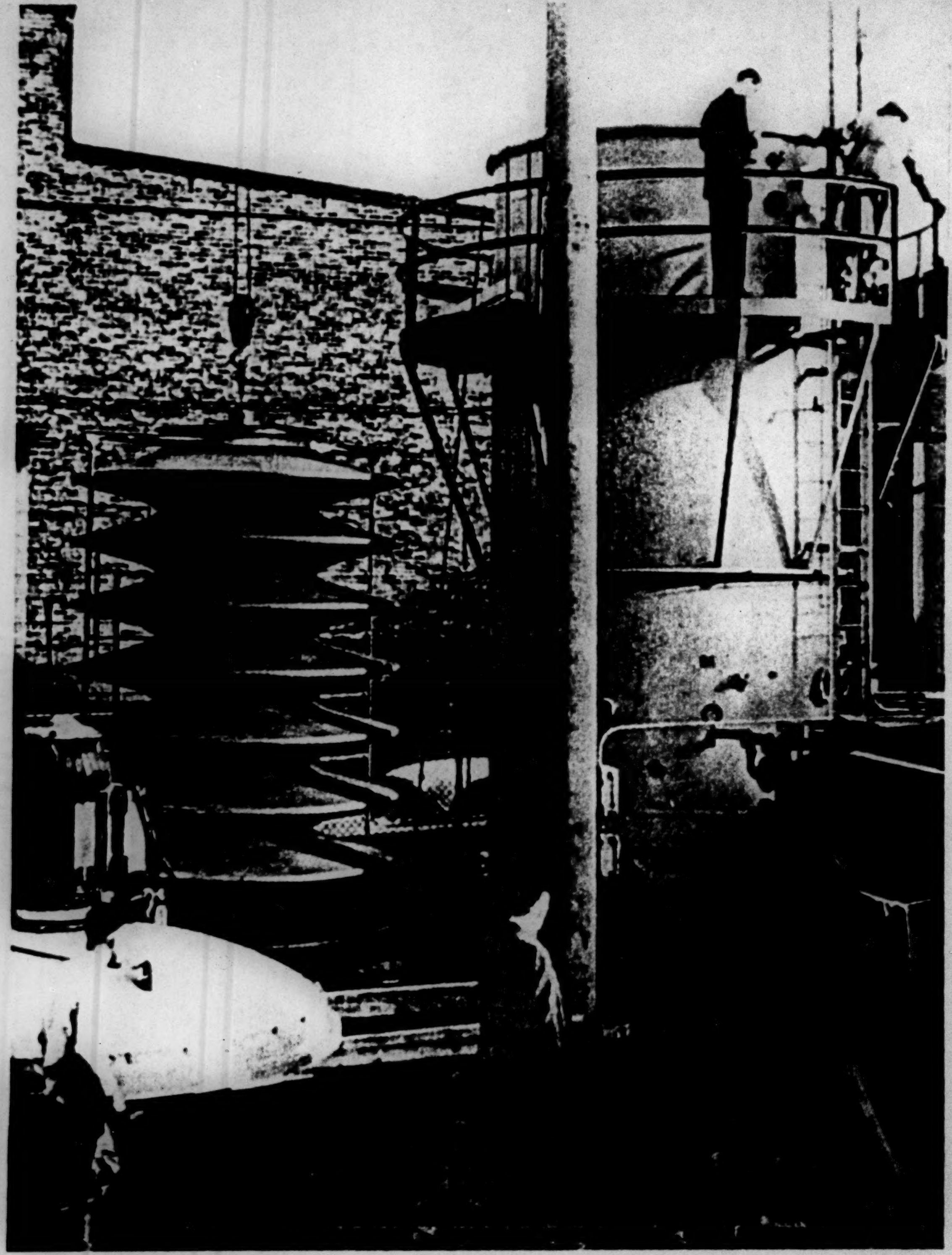
[illegible]

OTHERS

CHEMICAL

SOLVENT EXTRACTION

CHART #9 Now under test, for example, in this 25,000 gallon per day pilot plant at Wrightsville Beach, North Carolina, is the Badger-Hickman vapor compression still. It has an evaporator consisting of a stack of eight discus-shaped copper rotors. Sea water is introduced into the inside of each rotor by stationary nozzles; there reduced pressure causes it to evaporate rapidly. The vapor is compressed and condensed on the outside of the rotors, and its latent heat passes through the rotors and in turn aids the vaporization process on the inside surface. This process requires no external heat, although some will improve the efficiency of the plant.



VAPOR COMPRESSION DISTILLATION

BADGER MFG. CO.–K.C.D. HICKMAN

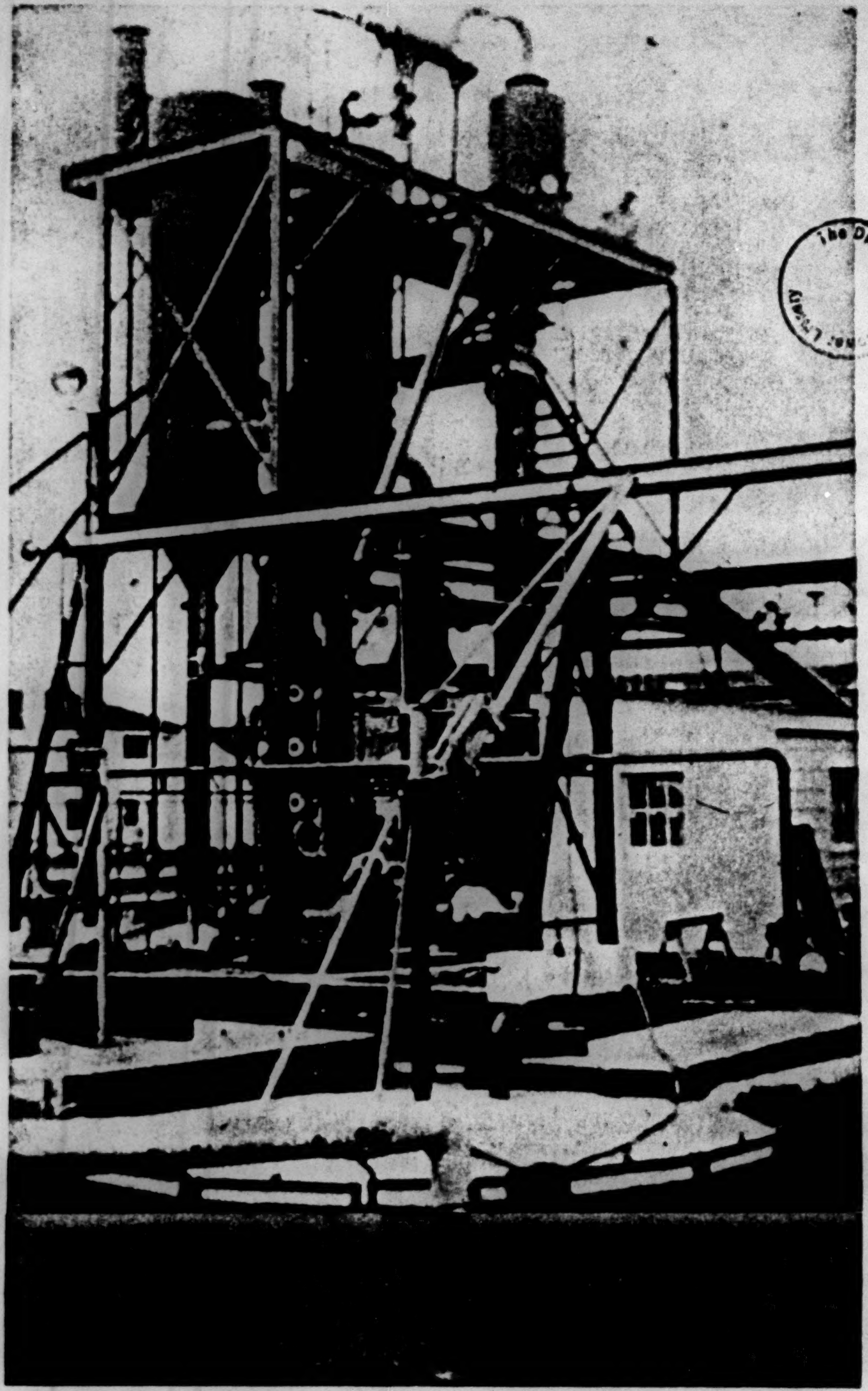
NOW UNDER TEST AND
DEVELOPMENT AT
WRIGHTSVILLE BEACH, N.C.

REQUIRES NO HEAT

ROTATING EVAPORATOR
INCREASES PRODUCTION

REDUCES SCALE

CHART #10 Another process under pilot plant test has been adapted by W. L. Badger from a time-tested long tube-evaporator process widely used in the chemical industry. Tests are being conducted to control the difficult problems presented by scale formation and corrosion. If these tests produce successful results engineers will be able to design equipment of mild steel instead of expensive alloys, sharply reducing the cost of boilers and other process components.



LONG TUBE VERTICAL EVAPORATOR

W. L. BADGER – WHITING CORP.

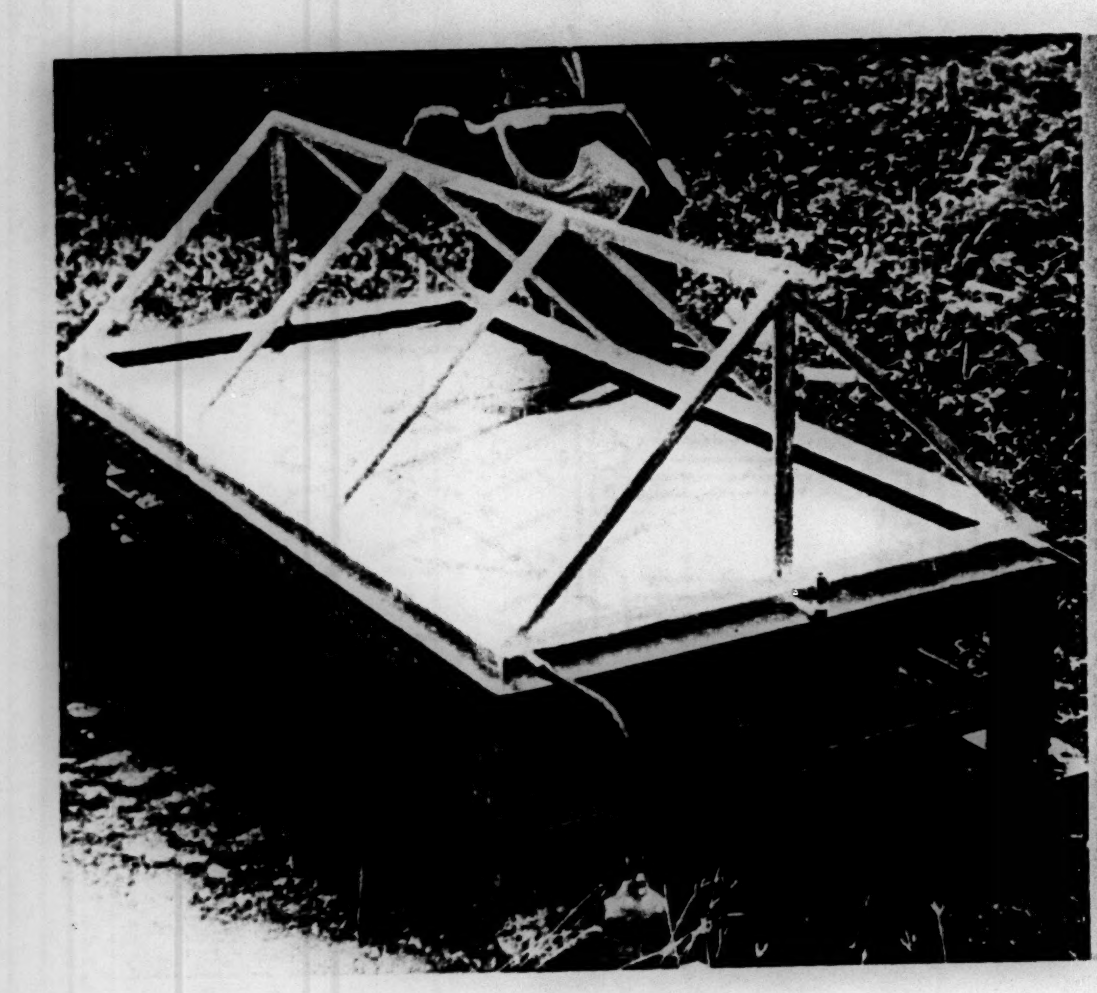
NOW UNDER TEST AT
WRIGHTSVILLE BEACH, N.C.

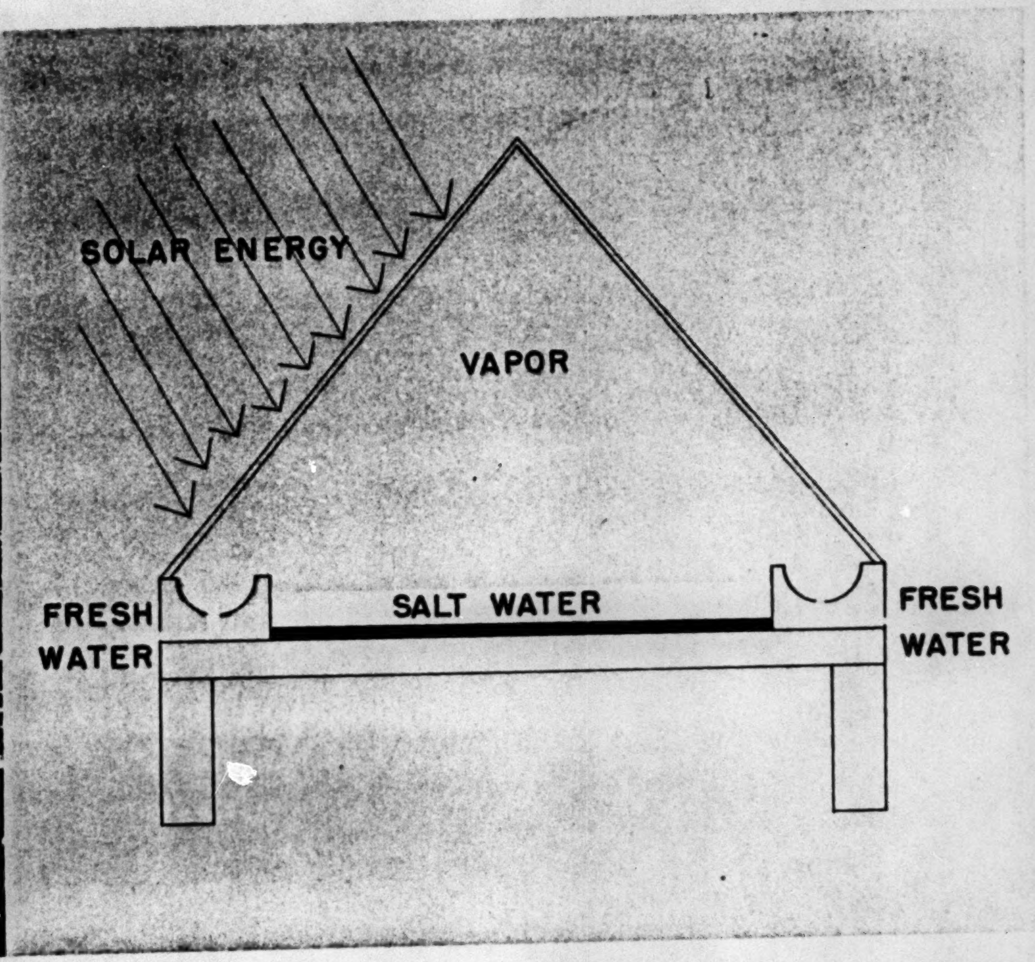
SCALE CAN NOW BE CONTROLLED BY USE OF ACID WITH CORROSION RESISTANT ALLOYS.

DEVELOPING IMPROVED SCALE PREVENTION METHODS TO PERMIT USE OF INEXPENSIVE MILD STEEL.

CHART #11 Here is a photograph of a small solar still in the Virgin Islands with a schematic diagram showing the principle of operation. It is a relatively simple device using the heat of the sun to supply its energy requirements. The basin is painted black to absorb the sun rays causing the water in the basin to vaporize. The vapor rises and condenses on the inner surface of the glass cover and runs down into collecting troughs on either side of the still. Under average conditions a solar still will produce approximately one gallon of water for each eight square feet of basin surface per day.

SOLAR STILL





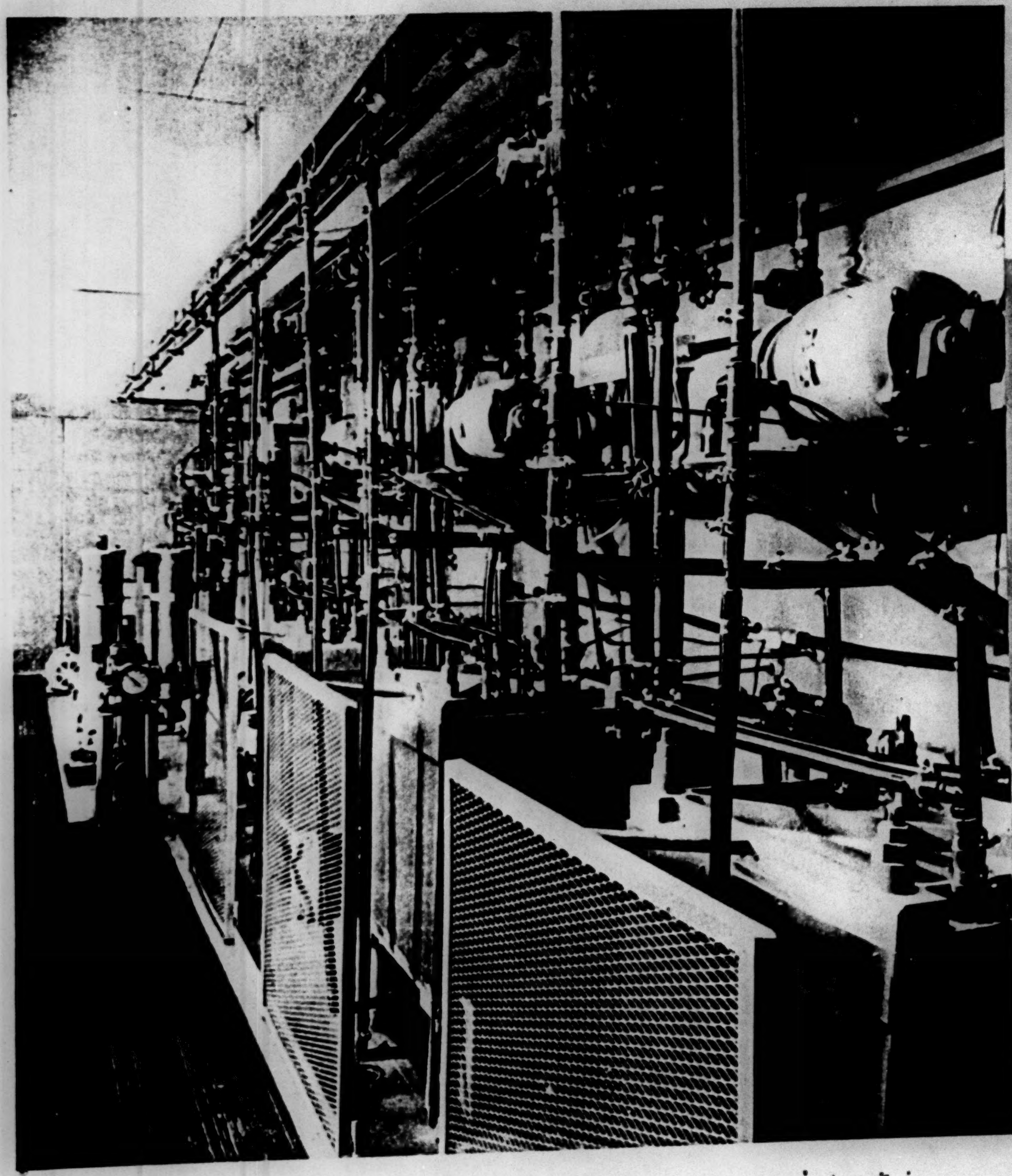
SOLAR ENERGY
VAPOR
FRESH WATER
SALT WATER
FRESH WATER

ARCHIVAL BOND
25% COTTON

CHART #12 This is an example of the electric membrane process, which has proved particularly adaptable to converting brackish water. The equipment you see in the picture is mounted in a trailer. It was used for field testing in Arizona and South Dakota and is now under test at the Bureau of Reclamation laboratories in Denver, Colorado. The cost of producing fresh water by the membrane process is directly tied to the cost of electricity and the salinity of the water.

on Dwight D. E

ELECTRIC MEMBRANE



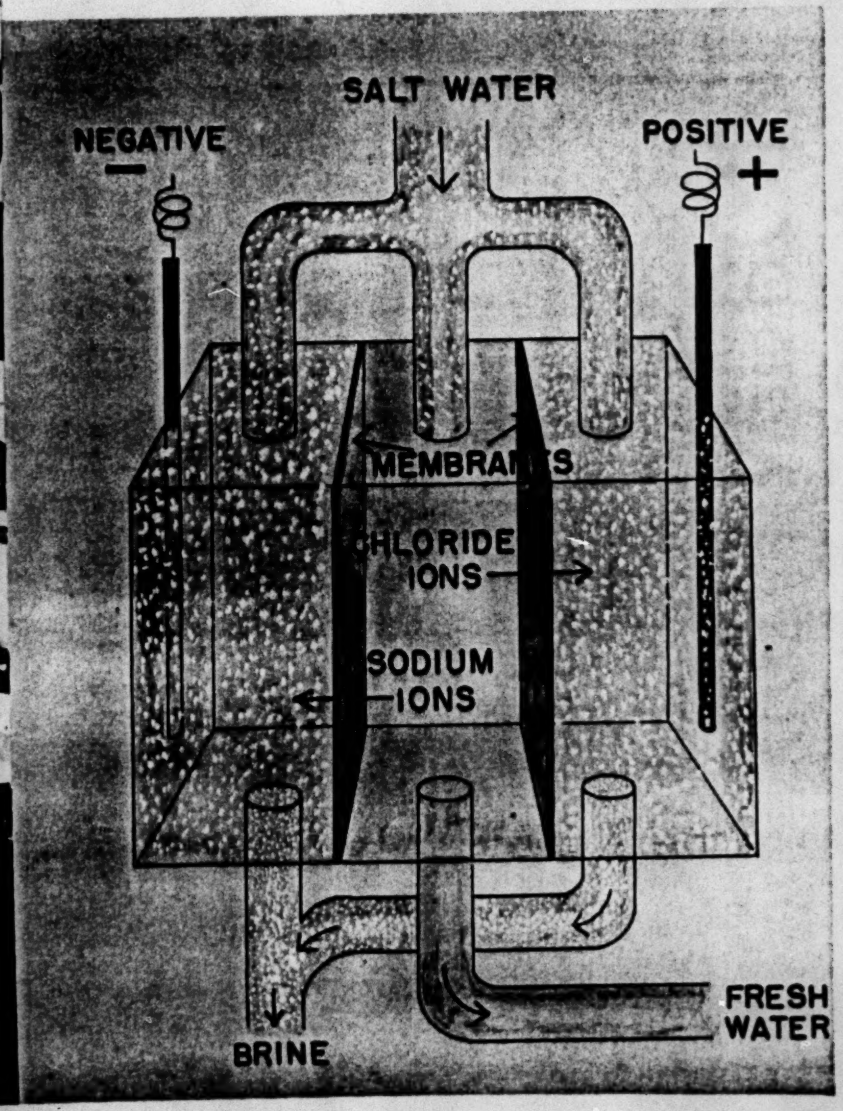
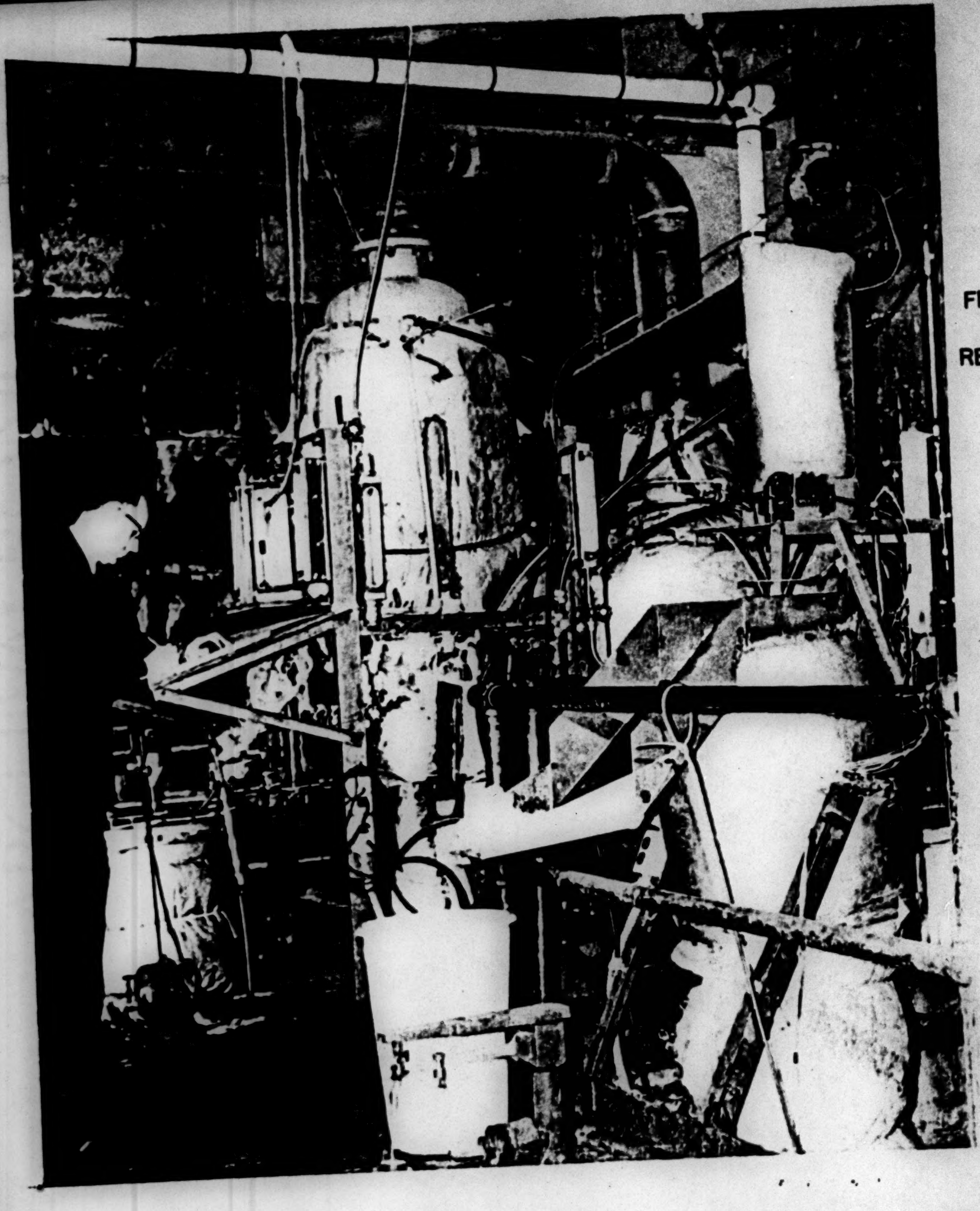

SALT WATER
NEGATIVE
—
POSITIVE
+
MEMBRANES
CHLORIDE IONS
SODIUM IONS
BRINE
FRESH WATER

CHART #13 This photograph is of a freezing still in the Carrier Corporation Laboratory at Rochester, New York. Less energy is required to reduce water to the freezing point than raising it to a boil. Since energy is an important factor in cost computation these experiments may prove extremely important. Water is sprayed into a chamber under vacuum conditions causing about one-seventh of the water to evaporate. This process extracts enough heat to cause most of the remaining water to freeze leaving a slush of pure water ice-crystals and brine. The slush is put through a washing chamber to remove the brine from the ice. You can see pure water ice-crystals emerging from the machine in the picture.



FREEZING

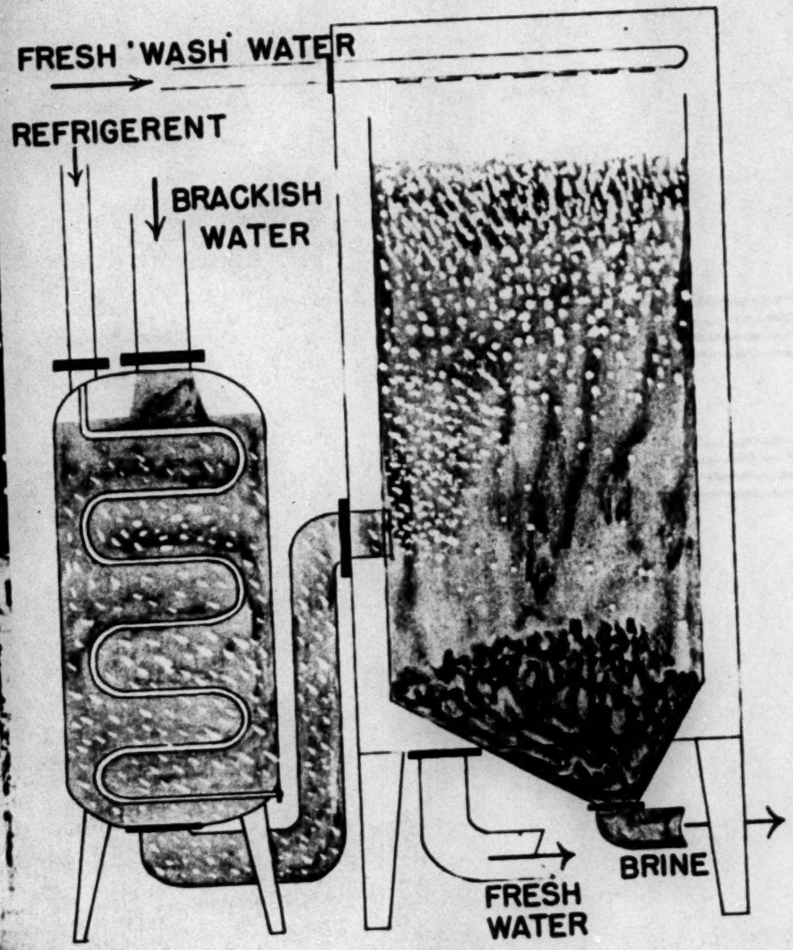
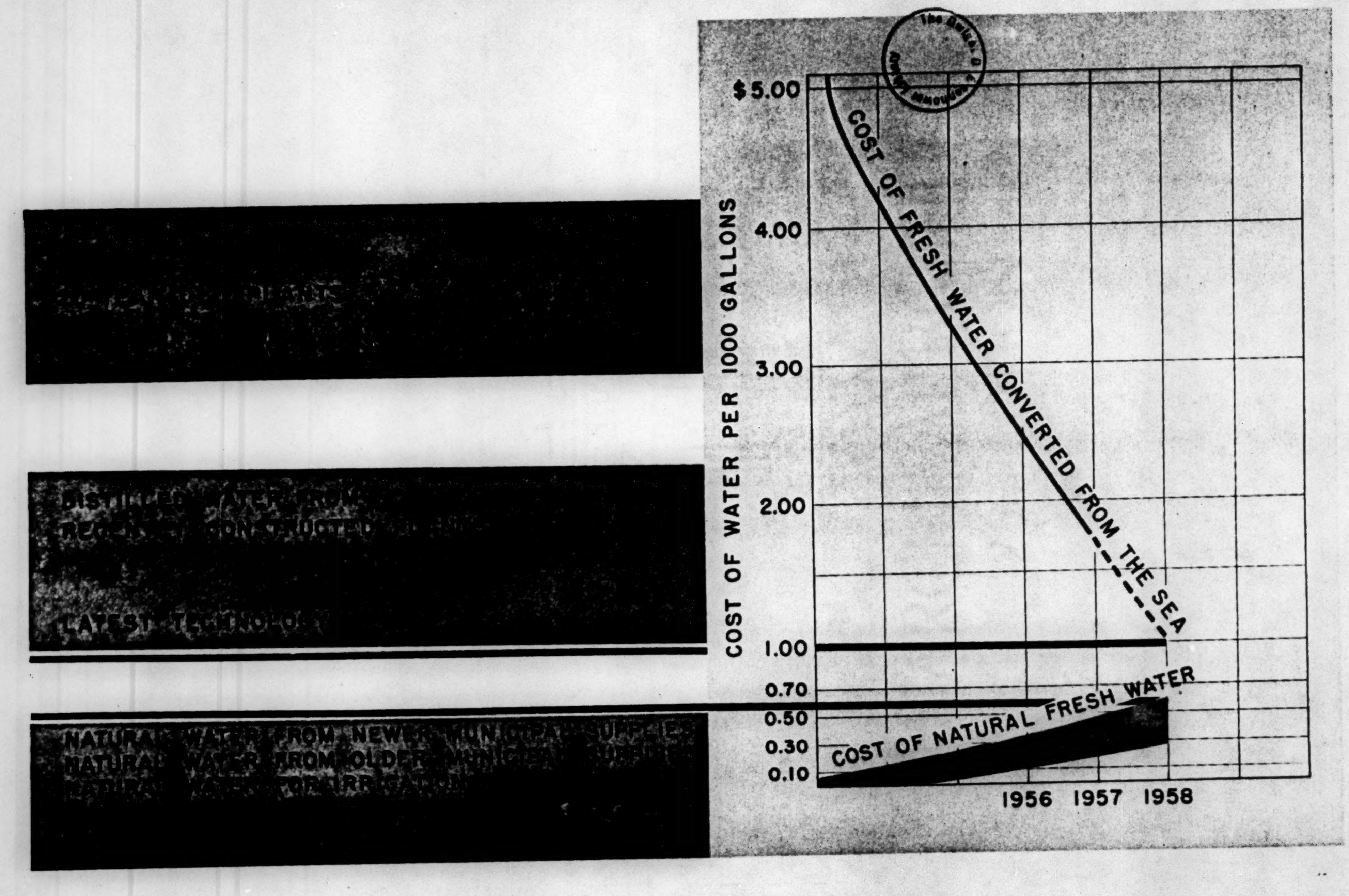

FRESH 'WASH' WATER
REFRIGERENT
BRACKISH WATER
FRESH WATER
BRINE

CHART #14 Now, where do we go from here? The cost of converting saline water is going down. Some of the latest installations are producing fresh water from the sea for $1.75 per thousand gallons. Moreover, we believe plants may now be designed and actually operate to produce water for $1.00 per thousand gallons. If our present laboratory results prove out in actual operation, we may be able to reduce the conversion costs to 50 or 60 cents a thousand gallons.

ARCHIVAL BOND
25% COTTON

COST OF FRESH WATER

NATURAL-CONVERTED FROM THE SEA



OVERLAY

We must recognize too that costs of fresh water from natural sources are constantly increasing and will continue to increase in the future. As conversion costs come down, converted sea water will more and more become economically competitive with water supplied from other sources.

Library

COST OF FRESH WATER

NATURAL-CONVERTED FROM THE SEA

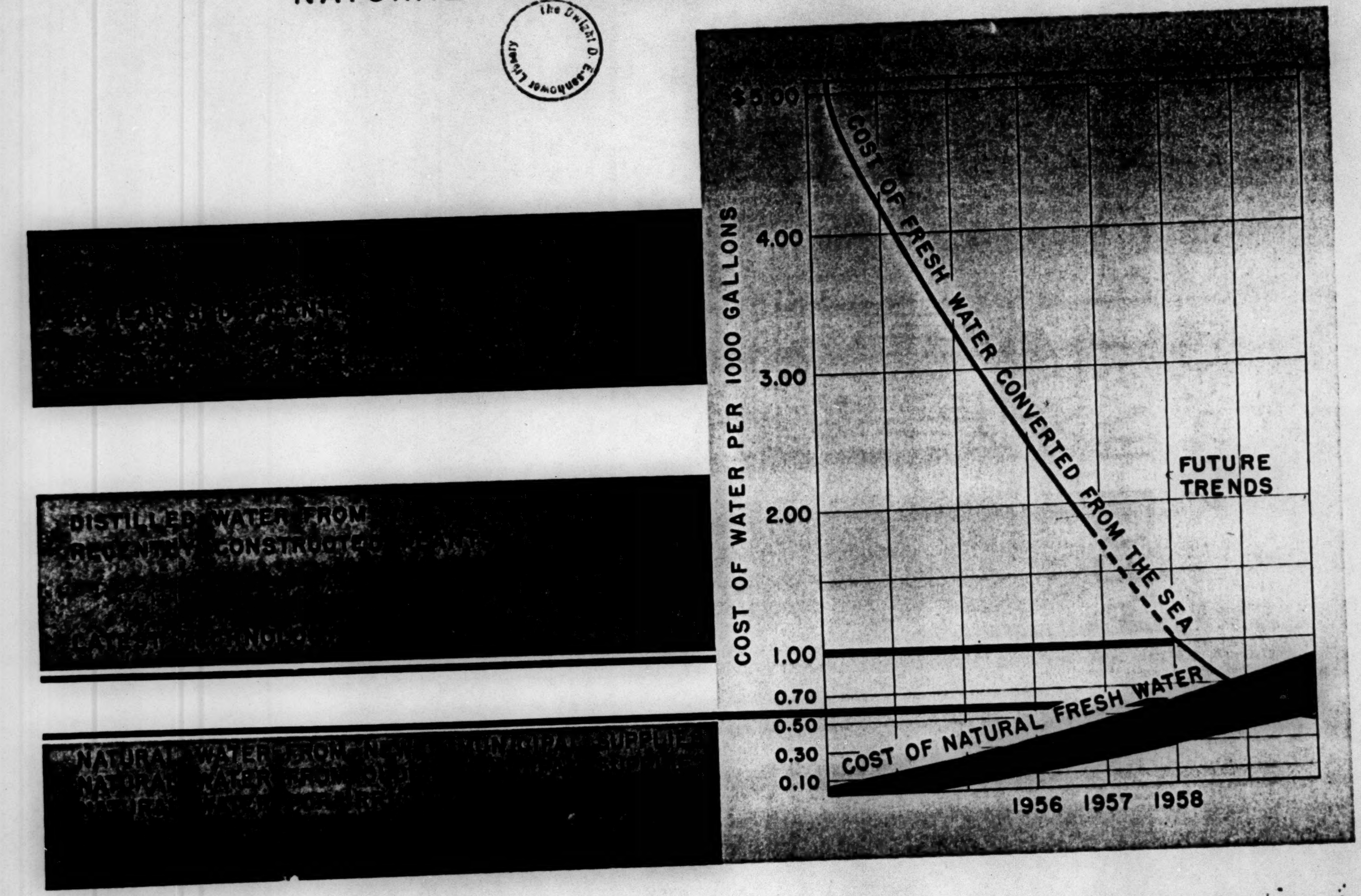


CHART #15. Since its inception in 1952, the Office of Saline Water has negotiated 61 research contracts; of these, 19 have been with universities and colleges, 29 with research organizations, 10 with industrial companies, and three with government laboratories.

For the most part these contracts have been quite small, ranging in value from $2,500 to $245,000. The average annual appropriation for the six years the program has been in effect has been only $475,000.

This chart shows both the budget requests and the appropriations for the saline water conversion program since Fiscal 1953. You can see that the Administration's request has been reduced by the Congress over the six-year period by an average of twenty per cent setting the program back by about one full year. Certainly, this fact is one answer to critics who say that the Administration has not shown an adequate sense of urgency in pushing this program forward.

We have now reached a point where we believe the program should be substantially accelerated. To step up the development of processes under study, and at the same time to continue basic and exploratory research, we have submitted a budget request of $1,355,000 for fiscal 1959.

FISCAL SUMMARY

YEAR	BUDGET REQUEST	APPROPRIATION
1953	400,000	175,000
1954	400 000	400 000
1955	400 000	400 000
1956	600 000	600 000
1957	600 000	550 000
1958	1159 000	725 000
1959	1 555,000	[illegible]

CHART #16. In addition, the Department is acting on these ten recommendations recently made by a group of eminent representatives in science, education and industry who serve as an advisory committee for the conversion program.

1. The first recommendation was that the appropriations for the program be increased to make full use of the existing authorization.

The Department has requested a supplemental appropriation of $530,000 to bring the 1959 appropriation to the full pro rata share of the remaining authorization.

2. The existing amount authorized should be spent for research and initial pilot plant development.

To further the development of some of the processes now under study, we shall in the near future need pilot plants with a capacity of about a million gallons per day. To build just one such plant would require more than our entire present annual authorization.

3. Large pilot plants should come from additional authorizations and earmarked appropriations which are recommended.

ARCHIVAL BOND
25% COTTON

A Bill, S. J. Res. 135, which has passed the Senate and now awaits House action, authorizes the expenditure of $10 million to build five experimental demonstration plants. We have sought amendments to change this Resolution to meet required needs rather than arbitrarily provide for construction of demonstration plants. These amendments have been adopted by the House Interior Committee. We believe the resolution as amended, will substantially add to the development of the program.

4. The duration of the Saline Water Program should be extended beyond the 1963 deadline now set by Congress. This recommendation reflects the great number of technical problems which are still unsolved.

5. We should foster foreign contracts and have at least one research project outside the United States which would serve to encourage others.

In a step following this recommendation, we have just ordered twenty-five thousand dollars' worth of Dutch conversion equipment to be used for further research and testing in this country.

ARCHIVAL BOND
25% COTTON

CHART #17

6. The Advisory Committee suggested that consideration be given to the construction of a demonstration plant abroad in exchange for technological information to the Office of Saline Water.

The fact that we have a half-million dollar appropriation does not mean we have a monopoly on the brains of the world. If this suggestion is adopted, it may well serve to develop international good will and at the same time make valuable technological information available to the United States.

7. It would be extremely desirable for the Department to have a seaside location for testing.

The pilot plants now operating at Wrightsville Beach are located on borrowed property made available by the generosity of a private industrial concern. There is no room there for additional plants. A seaside location under Government ownership would expedite testing and in the long run probably prove to be a more economic operation.

8. Basic and exploratory research must be continued. This is necessary if we are to continue the search for new and improved processes. The ultimate process may not yet be conceived.

9. Although the program should be accelerated for many reasons, it is particularly important to remember the increasingly urgent need for fresh water in the State of California and the important role low-cost conversion processes might play in the State's $11 billion Water Plan to meet that need.

On July 18, in a cooperative cost-sharing venture with the State of California, the Department signed a contract with a private industrial concern for a preliminary study of a combination nuclear reactor saline water conversion plant in California.

10. An increased effort should be made to inform the public of the program's progress and responsibilities.

The Advisory Committee concluded, I am delighted to say, with a recommendation that the Office of Saline Water be commended for the excellent progress it has made to date with the limited funds it has had available.

* * * * *

ADVISORY COMMITTEE RECOMMENDATIONS

1. PROGRAM SHOULD [illegible]
APPROPRIATIONS MAKING [illegible]
AUTHORIZATION

2. EXISTING AUTHORIZATION SHOULD BE [illegible] FOR RESEARCH
AND INITIAL PILOT PLANT [illegible]

3. LARGE PILOT PLANTS SHOULD COME FROM ADDITIONAL
AUTHORIZATION AND EARMARKED APPROPRIATIONS WHICH
ARE RECOMMENDED

4. THE DURATION OF THE SALINE WATER PROGRAM SHOULD
BE EXTENDED BEYOND THE EXISTING AUTHORIZATION

5. WE SHOULD FOSTER FOREIGN CONTACTS AND HAVE AT LEAST
ONE RESEARCH PROJECT OUTSIDE THE UNITED STATES
WHICH WOULD SERVE TO ENCOURAGE [illegible]

ADVISORY COMMITTEE RECOMMENDATIONS

[illegible]

SHEET 2

Excerpts from the discussion at Cabinet Meeting on August 8, 1958, following Secretary Seaton's presentation of an informational report on saline water conversion:

SECRETARY DULLES: In the Soviet Union, scientists are working in this field.

SECRETARY SEATON: Me s; we do not have much information about them; Israel is doing something also.

SECRETARY DULLES: In connection with the problems in the Middle East, how about mentioning this at the United Nations this week? But would the U.S.S.R. make a counter offer which would embarrass us?

SECRETARY SEATON: We have no reason to believe that we are not further ahead than they are. They know everything we know; there is no security involved in this. The problem would not be comparison of research potential but rather that the U.S.S.R. might give their data away. We know we can do this for $1.75 a thousand gallons, and we believe we can bring the cost down to $.60-.75. UNESCO is operating in this field and there is something in the Virgin Islands.

PRESIDENT: In your costs, will you amortize the plant or merely use the operational costs?

SECRETARY SEATON: Amortization is included, we are paying $6.00 per thousand gallons for water for Puerto Rico and barging it to the Virgin Islands and then giving it away.

THE PRESIDENT: Say you were going to build a plant for 15 million dollars -- how much water would you get in a day?

ASSISTANT SECRETARY AANDAHL: The office of Saline Water has entered into a contract in California to build a plant producing 20 million gallons a day using nuclear energy. This is xxxt the most efficient size.

SECRETARY SEATON: For 15 million dollars you can produce a tremendous amount of fresh water.

THE VICE PRESIDENT: Getting back to the Secretary of State's suggestion -- the suggestion for setting up an international conference on this -- this might serve to smoke out the Russians' failure to make their information available.

SECRETARY DULLES: If we had something comparable to the atomic energy talks coming up in Geneva this would perhaps force their hand. The problem is that if they put their best foot forward, it might look a lot better than ours.

THE VICE PRESIDENT: The world does not know that our information is available.

THE PRESIDENT: The most important thing is the mounting cost of fresh water.

THE VICE PRESIDENT: And we are reaching the point where this will be competitive with fresh water.

SECRETARY SEATON: For 15 million dollars you can get 15 million gallons a day, about.

CP - 58-84

August 6, 1958

CABINET PAPER—PRIVILEGED

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The White House

Washington

THE CABINET

Report to the Cabinet from the Interdepartmental Personnel Security Advisory Committee on Recommendation of the Commission on Government Security

For consideration by the Cabinet, attached is a paper reporting on the Recommendations of the Commission on Government Security contained in its Report dated June 21, 1957 which are believed to be of Cabinet interest and appropriate for consideration at this time.

The attached paper is based upon the Report of the Interdepartmental Personnel Security Advisory Committee which has been made to the White House pursuant to the President's Memorandum of July 22, 1957 to department and agency Heads.

The attached paper deals with the following programs or issues:

I. A CENTRAL SECURITY OFFICE

II. THE LOYALTY AND SECURITY PROGRAM FOR FEDERAL CIVILIAN EMPLOYEES

III. MILITARY PERSONNEL PROGRAM

IV. THE INDUSTRIAL SECURITY PROGRAM

V. THE INTERNATIONAL ORGANIZATIONS PERSONNEL SECURITY PROGRAM

VI. CONFRONTATION

VII. PAYMENT OF WITNESSES (USE OF SUBPENA)

VIII. THE ATTORNEY GENERAL'S LIST

For each of the above chapter, the Commission's Recommendations are summarized and the views and recommendations of the Personnel Security Advisory Committee are presented for the concurrence of the Cabinet and the approval of the President. For additional data "in depth", Cabinet Members are referred to a) the Report of the Commission on Government Security dated June 21, 1957 and b) their respective comments on the Commission's Report submitted to the Chairman of the Personnel Security Advisory Committee during the Fall of 1957.

Certain sections of the PSAC Report, namely those concerning the Document Classification Program, the Port Security Program, the Civil Air Transport Security Program, and the Immigration and Nationality Program, were referred by the White House to the National Security Council in view of their relationship to outstanding NSC papers or to special NSC problems. On the basis of a review of these sections by the Interdepartmental Committee on Internal Security, the NSC Executive Secretary has advised that they appear to present no policy issues requiring further NSC consideration.

Consideration of the Commission's proposed Passport Security Program is omitted in view of the President's message and accompanying proposed passport legislation which has already been submitted to the Congress (See Cabinet Information Paper 58-57, July 3, 1958)

The recipients of this paper are hereby requested to take special precautions to protect its privileged nature.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

I. A CENTRAL SECURITY OFFICE

A. Summary Recommendation of the Commission

"The Commission recommends an independent Central Security Office in the executive branch of the Government. One of the principal deficiencies of past loyalty and security program has been a shortage of trained, qualified personnel to administer them. Hence, the first duty of the director of the proposed central office would be to select eminently qualified personnel, including hearing examiners to conduct loyalty hearings under the Federal civilian employe program and security hearings under the industrial, atomic energy, port and civil air transport programs. The Central Security Office would also assist the various agencies, through consultations and conferences, in training screening and other security personnel. A Central Review Board would review cases, on the record, as appealed from adverse decisions of the heads of agencies. Decisions of both hearing examiners and the Central Review Board would be advisory only to agency heads. The various loyalty and security programs of the Government would be reviewed and inspected to insure uniformity of rules, regulations and procedures; however, the Central Security Office would not have authority to review secret or other files of any agency. Complaints from industry relating to the various industrial security programs would be received and, through conferences with industry and the interested Government agencies, inconsistencies and duplications would be corrected."

B. PSAC Views and Recommendations

1. PSAC believes the proposed Central Security Office would place heads of departments or agencies who do not agree with its recommendations or advisory opinions in an untenable position.

   a. Although advisory in form, findings and recommendations of the Central Security Office personnel would in effect ultimately become mandatory.

   b. The result would be that an outside authority having no knowledge of or responsibility to protect matters entrusted to the care of an agency head would be in a position to direct the agency head to share his responsibilities with individuals he deems unreliable.

   c. The issues in balance seem too serious to permit such unfortunate divided authority and responsibility.

2. PSAC further believes that the potential caseload, in the Federal personnel field at least, is too limited to justify the elaborate and expensive establishment of the proposed Central Security Office. If at any given time in the history of the loyalty-security programs an independent agency in the nature of the proposed Central Security Office would have been of service in the implementation of such programs, PSAC feels the moment has long since passed.

3. Finally, PSAC believes that the procedures proposed by the Commission on Government Security in actual operation would induce delay that would cause considerable inconvenience to the employees involved and might jeopardize security interests. Experience under past programs has clearly demonstrated that a principal grievance in controversial cases has been delay in reaching a final determination.

4. Accordingly, PSAC strongly recommends against establishment of the Central Security Office as proposed by the Commission. To meet the desirable objective of the Commission of promoting uniformity in the administration of employee security programs, PSAC believes specific provisions should be made for continuing informal advisory and interdepartmental consultation functions in the nature of those presently performed by PSAC itself. Basically, it is the view of PSAC that the

continuing availability of informal advice and assistance to departments and agencies needing it in individual cases, as well as in the general administration of their programs, more effectively meet the need in this field without the evils inherent in the proposed Central Security Office.

II. LOYALTY AND SECURITY PROGRAM FOR FEDERAL CIVILIAN EMPLOYEES

A. Summary Recommendation of the Commission

"At the very basis of the Commission's thinking lies the separation of the loyalty problem from that of suitability and security. All loyalty cases are security cases, but the converse is not true. A man who talks too freely when in his cups, or a pervert who is vulnerable to blackmail, may both be security risks although both may be loyal Americans. The Commission recommends that as far as possible such cases be considered on a basis of suitability to safeguard the individual from an unjust stigma of disloyalty."

"The program recommended for civilian Government employees consists of a loyalty program applicable to all positions and a suitability program within the framework of civil service regulations. In the executive branch, the Commission would exclude the Central Intelligence Agency and the National Security Agency from the program. The Commission recommends changes in civil service regulations to allow the transfer of "loyal security risks" to nonsensitive positions or their dismissal under normal civil service procedures. The Commission recommends equal treatment of loyalty and suitability grounds for veterans and nonveterans in Federal employ."

The Commission recommends that, in the application of its proposed loyalty criteria which generally are similar to those established in the present and past programs, certain principles be adhered to: The Commission observes that no person concerning whose loyalty there is reasonable doubt should be retained in Government service. Basically, the Commission recommends that criteria should not be applied automatically, but cases should be adjudicated in the light of all information, favorable and unfavorable. The Commission recommends, also, that in the absence of new evidence there should be no readjudication of old loyalty and security cases.

The Commission substantially adopts the present investigative requirements of E.O. 10450, applicable to all departments and agencies including the Atomic Energy Commission. The Commission further recommends that investigations be completed before appointment except in an emergency.

B. PSAC Views and Recommendations

1. PSAC believes the Commission's proposals for the separate handling of all security cases, other than loyalty cases, under civil service suitability procedures stripped of special veterans' rights constitute undesirable limitations upon the individual procedural rights of employees.

a. With veteran appeals eliminated, all civil service terminations would be based upon the Lloyd-LaFolette Act (5 U.S.C. 652), which does not require a hearing. Therefore, most employees proceeded against on security charges would be entitled only to notice of reasons for termination and opportunity for reply, as required by that Act.

b. It is the opinion of the PSAC that such inroads upon the protection afforded individual employees are unnecessary to protect the national security and, in actual operation, would prove unacceptable to all interested parties.

c. PSAC further concludes that these limitations upon individual procedural rights are so serious as to compel in time legislative or administrative alteration, which, in turn, because of the critical interdependence of the sweeping Commission proposals, could seriously jeopardize the national security by the creation once more of inadequate loyalty-suitability termination procedures.

2. PSAC also believes that the elaborate procedures proposed by the Commission for handling loyalty cases will be rarely utilized.

a. The relative simplicity of the procedures proposed for suitability and non-loyalty security cases, compared to the extensive hearing requirements proposed for loyalty cases, will insure the use of the former whenever possible.

b. An agency head will be reluctant to resort to allegations of disloyalty in removing an individual from a position related to the national security, where, on the record, the activities, conduct and association of the individual clearly render him unsuitable for such responsibility. The agency head will also be reluctant to defer to the judgment of an outside authority such as the Central Security Office in security cases when such outside authority shares no responsibility for protection of the security matters involved.

3. PSAC believes that, even if the Commission program as proposed were adopted, the purposes which led to its proposal -- avoidance of so-called "stigma" in security determinations -- would not be accomplished in actual operation.

a. The Commission presumes that whatever "stigma" occurs attaches as a result of the nature of the authority and proceeding under which termination is accomplished, i.e., that less "stigma" results where suitability and security cases are provided for separately from loyalty cases.

b. Experience has shown, however, that it is the nature of the charges, not the authority under which they are issued, with which the employee is concerned.

4. PSAC program with respect to sensitive positions:

a. PSAC believes a security program based upon the Act of August 26, 1950, applicable to employees in sensitive positions, would best protect the interests both of the Federal employees of the national security and would be superior to the Commission's program.

b. PSAC therefore recommends that all positions in specified sensitive departments or agencies, such as those named in the Act of August 26, 1950, be classified as sensitive by statute. Such a statute should also permit other departments or agencies to designate sensitive positions based upon conditions of employemnt. Thus, the the theory of the U.S. Supreme Court decision in Cole v. Young would be retained for all departments and agencies except those named in the Act which, in turn, would be restored to the same legal position held under the Act prior to the Cole decision.

5. PSAC program with respect to non-sensitive positions:

a. PSAC agrees with the Commission recommendation that a "Reasonable doubt as to loyalty" program be established but believes such a program should be confined to employees occupying non-sensitive positions.

b. PSAC believes application of an over-all security standard to non-sensitive employees has been a principal point of criticism of the program, although experience under the previous loyalty program justified the adoption of a security standard, and the difficulty has been enhanced by the decision in Cole v. Young. Moreover, PSAC points out that in Government the personnel security review called for by Executive Order 10450 has now been completed.

c. The foregoing considerations lead PSAC to conclude that national and individual interests would best be served by the adoption of the "reasonable doubt as to loyalty" standard applicable to non-sensitive positions. This recommendation of the PSAC is based upon a belief that, as a matter of public policy, individuals concerning whose loyalty there is reasonable doubt should not be on the Federal payroll.

d. PSAC recommends that this non-sensitive program be based upon statute in order to permit processing of loyalty-type cases under specific legislation and to provide for the adequate protection of confidential informants in non-sensitive as well as sensitive cases. The majority members believe, too, that it would be well to have a separate statutory process for all cases in Government of a loyalty nature outside the long established civil service procedures to avoid intermingling of non-loyalty terminations effected under civil service procedures. Also, a statutory non-sensitive position program is desirable to provide for procedural safeguards in non-sensitive loyalty cases at least equal to those provided for sensitive position security cases.

6. PSAC Recommendation on applying security and loyalty factors in particular cases:

a. While the basic adjudication principle that each case should be considered on its individual merits has been followed in the current program, PSAC recommends that, after appropriate study, principles in the nature of those proposed by the Commission be adopted to guide the agency head in applying security and loyalty factors in future programs. Such an approach should assist in insuring better understanding of the program.

b. PSAC notes, however, that the Commission's proposal to bar readjudication of old cases in the absence of new evidence should be carefully considered, for there may be serious question as to what constitutes "new evidence" authorizing re-opening cases and any principles adopted should not bar readjudication of cases of those individuals reinstated as a result of Cole v. Young.

7. PSAC Recommendation on Investigations:

The PSAC agrees that, as a minimum requirement, a full field investigation should be mandatory only with respect to occupants of sensitive positions in which there would be access to defense information or material classified as "Top Secret" pursuant to Executive Order 10501 and certain high level policy-making and other positions. The minimum investigative requirement with respect to other sensitive positions would be a national agency check (including a check of the fingerprint files of the Federal Bureau of Investigation) and written inquiries to appropriate law enforcement agencies, former employers and supervisors, references and schools attended by the person under investigation. These investigative requirements would be minimum requirements and could be supplemented by appropriate authority within the departments and agencies. In adopting these proposals, the PSAC believes that such lesser investigations may be permitted because the great bulk of unfavorably loyalty information is developed by a national agency check. Thereafter, when necessary, a full field investigation may be conducted.

The PSAC recommends that the minimum investigative requirements for employment as established by E. O. 10450 be continued except that the changes with respect to full field investigations discussed above be effected. However, current policy relating to interim clearance should not be altered.

III. Military Personnel Program

A. Summary Recommendation of the Commission

The Commission on Government Security recommends a loyalty program in substitution for the present security program with standard criteria and principles of application duplicating those it recommends for the Federal civilian loyalty program. It would modify DD Form 98 (Armed Forces Questionnaire) to include organization designated pursuant to the proposed designation procedures in the Certificate of non-Affiliation. Every inductee or enlistee would be advised as to the significance of DD Form 98 and the consequences of falsifying answers. The Commission proposes the usual letter of charges, opportunity to be heard, confrontation similar to that in the Federal civilian employee program, and hearing boards to be maintained by these services.

B. PSAC Views and Recommendations

1. PSAC believes that a security program is necessary within the military so that individuals unacceptable because of information relating to subversion, communism or related loyalty matters may be dealt with appropriately even though such information is not sufficient to establish a reasonable doubt as to loyalty.

2. PSAC agrees with the modification of the DD Form 98 to include procedures warning of the consequences of falsifications.

3. The position of the PSAC relative to confrontation in this program is identical to that in the present Federal employee program. The recommended hearing procedures proposed by the Commission are consistent with present practices.

4. PSAC is in agreement with the concept that the type of discharge from the service (e.g. honorable, dishonorable, etc.) should be determined on the basis of the individual's record in the service.

IV. INDUSTRIAL SECURITY PROGRAM

A. Summary Recommendation of the Commission

The Commission on Government Security recognized that an industrial security program is necessary and recommends such programs of the

Department of Defense and the Atomic Energy Commission not be consolidated. The Commission proposes the Central Security Office as a forum for hearing cases arising under the program; an Office of Security in Defense to conduct daily operation of the industrial security programs of the military departments; a new standard to be applicable to both Department of Defense and Atomic Energy Commission programs and to revise to some extent the present criteria. The Commission further proposes to make pre-employment clearances mandatory for contractual employees; remove certain restrictive provisions concerning access by aliens to classified information; a national agency check for Secret and a full field investigation for Top Secret clearances in industry.

B. PSAC Views and Recommendations

1. PSAC concurs with the Commission on the need for an industrial security program and the continued separation of the programs presently existent in the Department of Defense and the Atomic Energy Commission, but feels specific legislation would unduly hamper the program.

2. PSAC recommends that no change be made in the present Department of Defense or Atomic Energy Commission industrial clearance standards and opposes pre-employment clearances in industry, while recognizing selective use of this procedure may be beneficial.

3. PSAC agrees that the present investigative requirements are adequate as a minimum and that ease in transfer of clearance is desirable.

V. INTERNATIONAL ORGANIZATIONS PERSONNEL SECURITY PROGRAM

A. Summary Recommendations of the Commission

"International Organization. -- The existing loyalty program for United States nationals employed by international organizations should be continued, but the standard should be broadened to include those who are security risks for reasons other than doubtful loyalty. The standard should be whether or not, on all the information, there is reasonable doubt as to the loyalty of the person to the Government of the United States or reasonable ground for believing the person might engage in subversive activities against the United States.

"The Commission is recommending amplification of the criteria, reconstitution of the International Organizations Employees Loyalty Board and streamlining of its operations to minimize delays, and the rights of subpena and confrontation applicable to other programs."

B. PSAC Views and Recommendations

PSAC agrees that such loyalty programs should be continued and recognizes that the program in existence is the result of delicate negotiations with other governments. In view of this, and in the absence of information that the interests of the United States are not being properly protected, PSAC does not concur in the changes recommended by the Commission.

VI. CONFRONTATION

A. Summary Recommendation of the Commission

"The Commission recommends that confrontation and cross-examination be extended to persons subject to loyalty investigations whenever it can be done without endangering the national security. Those whose livelihood and reputation may be affected by such loyalty investigations are entitled to fair hearings and to decisions which are neither capricious nor arbitrary. It is the prime duty of Government to preserve itself, and in the carrying out of this duty it has the indisputable obligation to avail itself of all information obtainable, including information from confidential sources. Full confrontation, therefore, would be obviously impossible without exposing the Government's counterintelligence operations and personnel with resulting paralysis of the Government's efforts to protect the national security. The Commission recommends that, where loyalty charges are involved, no derogatory information, except that supplied by a regularly established confidential informant engaged in intelligence work for the Government whose identity may not be disclosed without compromising the national security, shall be considered over the objection of the individual involved unless such individual is given the opportunity to cross-examine under oath the person supplying such derogatory information. Where the informant is not available for process by reason of incompetence, death or other cause, the derogatory information may be considered, but due regard must be given to the absence of opportunity to cross-examine."

B. PSAC Recommendation

1. PSAC agrees with the Commission's conclusion that effective counterintelligence and counterespionage programs require the use of confidential informants and that the continuing effectiveness of those programs depends on the anonymity of those informants.

2. PSAC is of the view that the Commission proposal on confrontation is basically a compromise approach. The traditional Government position is that a personnel proceeding is wholly administrative in nature and, therefore, the Government may consider whatever information is pertinent from a personnel standpoint to determine an individual's suitability for Government employment. The Commission does not question the Government's position in this respect, but has concluded that it would be well to require confrontation of some nature where material information is obtained from casual informants.

3. As a practical matter, when unfavorable information of a loyalty nature is developed in a personnel investigation, PSAC believes that, out of fairness to the employee as well as in the interest of proper administration of Government affairs, the Government has the obligation to resolve the matter, rather than to ignore it. In either the sensitive or non-sensitive programs, the Government must be free to consider all information which it receives, regardless of source and the security of the United States and the public interest cannot be made to depend on the desires of an informant to be confronted. The question is not confined to the issue as to whether an employee should be given either the right of cross-examination or the right to rule out information because it is unfavorable to him. The larger and more important question is whether the Government should be permitted to act in its own interest and self-preservation on the basis of all available information. Further, it is difficult to visualize any responsible department or agency head ignoring unevaluated material information relating to an individual's fitness for public employment in the future handling of that employee.

4. PSAC believes it to be an accurate statement to say that past experience has shown it is possible with a high degree of accuracy to distinguish false and malicious information. As in the case of regular informants , investigative reports attempt to reflect descriptive data relating to such factors as the circumstances under which information is obtained, the reliability of the source, the nature of the contact between informant and employee, as well as information developed which might reflect upon the informant's veracity.

5. PSAC therefore recommends against adoption of the limited confrontation proposal of the Commission, but endorses continued efforts to afford maximum confrontation consistent with the interests

of national security. PSAC believes that present procedures adequately protect individuals proceeded against.

VII. PAYMENT OF WITNESSES (USE OF SUBPENA)

A. Summary Recommendation of the Commission

Under current rulings of the Comptroller General, the expenses of witnesses can not be borne by the Government. In the past, neither the Government nor any person involved in loyalty or security cases could compel attendance of witnesses at hearings. The Commission would give the hearing examiners the power of subpena ("except as to confidential informants and identified informants who have given their information on the condition that they will not be called as witnesses") with wide discretionary latitude to prevent excessive costs, unnecessary delays, and obstructive tactics. Witnesses would be allowed travel and per diem expenses. The Government would pay witness costs only for an individual who was cleared by the hearing.

B. PSAC Views and Recommentation

1. PSAC recommends against adoption of the limited subpena power proposal of the Commission. The "subpena power" referred to is to some extent a misnomer, because of the important exception the Commission has made.

2. PSAC does not recommend, but would not object to adoption of appropriate authority (i.e. in appropriation acts) to pay witness fees of persons willing to appear and testify, except that reasonable limitations would seem warranted to ensure against abuse of such a policy.

VIII. THE ATTORNEY GENERAL'S LIST

A. Summary Recommendation of the Commission

The Commission recommends that the so-called Attorney General's list of organizations presently promulgated pursuant to Executive Order 10450 be maintained under statutory authority which would incorporate most of the current rules and regulations for designation but with new procedures to minimize abuses. The Commission also would require addition of certain descriptive data regarding the organizations. The designation hearing would be conducted by the Central Security Office with appeal to the Central Review Board established within the Central Security Office. The Commission recommends that the list should include "any party, group or association which the Congress of the United States, or any agency or officer of the United States duly authorized by the Congress" finds meets specified standards.

B. PSAC Views

1. PSAC does not concur in the proposal that the Congress designate organizations to assist in the implementation of the various loyalty-security programs by Executive Branch departments and agencies because of the controversy and confusion that would result from the possible existence of two designation lists or two designation authorities. However, PSAC does not question the authority or desirability of the Congress to investigate, conduct hearings and publish findings relating to questionable organizations in connection with its constitutional legislative functions.

2. While PSAC deems it vital and recommends that departments and agencies responsible for the implementation of the various personnel loyalty-security programs be appropriately and adequately advised as to the character of questionable organizations, because of unresolved legal questions relating to the maintenance of a designation list, PSAC makes no specific recommendations on the matter at this time.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

August 15, 1958
9:00 A. M. -- 10:50 A.M.

The following were present:

President Eisenhower

Executive Session

Vice President Nixon
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Weeks
Sec. Mitchell
Sec. Flemming

Director Stans
(for Executive session only)
Gov. Hoegh
Gov. Adams

Regular Session

Under Sec. Herter, State
Under Sec. Scribner, Treasury
Under Sec. Morse, Agriculture
Deputy Sec. Quarles, Defense
Mr. Allen Dulles and Gen. McClelland, CIA
Chrm. Doerfer, FCC
Mr. McCone, AEC
Mr. George Allen, USIA
Mr. Merriam, Budget
Dr. Saulnier, CEA

Gen. Quesada
Dr. Killian
Mr. Gordon Gray
Mr. Robert Gray
Gen. Goodpaster
Gov. Pyle
Mr. Morgan
Mr. Martin
Mr. Jack Anderson
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

National Telecommunications Policy - Dr. Killian pointed up the heavy pressures on the telecommunications frequency spectrum that result from many new uses of the present age, such as railroad radio communications, taxicabs, ship-shore, etc. The President asked about the possibility of more precise usage so as to increase the number of usable frequencies. Dr. Killian thought it to be considerable. Mr. Gray saw this as the key point, especially since there is not presently an equally

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good means for determining spectrum utilization on the Government side and on the private side of this activity. He pointed out there would be serious dislocations and economic implications if any radical change were attempted overnight.

Chairman Doerfer added that commercial broadcasts were only a small fraction of the total but that even so, there would be a $4 billion impact on the economy if 48 million television receivers were made obsolete. He said the spectrum is divided about evenly between Government and private use, that much equipment is marked by inflexibility, and that better use should be made of the now little used ultra high frequency spectrum. He confirmed his belief in the need for a long-range policy so as to end profligacy with this resource.

Mr. McElroy prefaced his remarks by explaining that Government use of frequencies is coordinated through OCDM and private use through the FCC. He pointed out that the Department of Defense relies mainly on commercial facilities within the United States, whereas it operates its own net overseas with some supplementation from commercial facilities. He stated DoD's concurrence in the desirability of appointing a commission to examine this field and make policy recommendations.

The President inquired as to whether telecommunications was a Defense integrated matter or a separate function with each of the Services. Mr. Quarles replied that the three services each had operations but that they were well coordinated with a continuing effort to improve coordination. The President thought that the pressure on frequencies might require completely integrated terminal facilities. Gordon Gray noted that DoD was not in itself represented on the Inter-agency Committee but that the three Services were.

Mr. Allen Dulles reported on the Soviet situation and achievements in this field, noting particularly their extensive radio facilities,
sophisticated 5(B)(2)
air defense networks, and massive
jamming potential which might make the United States completely dependent on cable facilities in an emergency.

Mr. Quesada stressed the importance of this matter to our national airways, particularly the volume of radar usage.

Gov. Hoegh cited the inadequacy of the OCDM telecommunications staff, which is concentrated on "clerical work" rather than on management policy. He recalled a request made to the Congress to authorize a thorough study, and he noted that it apparently would not be approved by the Congress. Mr. Gray added that S. J. Res. 106 had originally included the commercial side of the problem and that the Senate turned the matter aside when the Administration pressed for a study of all uses.

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (2)
NSC LTR 4/25/77
NLE Date 5/20/77

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DETERMINED TO BE AN
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E.O. 11652, Section 1

By DHC NLE, Date 8-11-76

Mr. Gray then recommended that the Administration itself appoint a small committee to make a six months study, possibly under Gov. Hoegh, at the direction of the President. He forewarned that this could involve some terribly controversial decisions. He emphasized that the study should cover the entire field rather than just the Government aspects of it, including (1) how to achieve maximum utilization; (2) planning techniques; (3) reallocations; (4) potential future demands, and (5) necessary organizational changes. The President directed Gordon Gray, Gov. Hoegh, Mr. Stans and Gov. Adams to confer later with him as to the details of this. He expected the money for the study could be had by contributions from interested agencies who might also detail staff and support. While the President preferred a Congressional base for this study since it would provide subpoena power, he believed the Administration should move ahead prior to January 1, 1959. Mr. Gray believed this committee should not include any Government officials. He related an inquiry as to possible funding from the President's Emergency Fund. The President repeated his belief that it was important to figure out how to get this study going and to get to work on it.

Lunar Probe - The Vice President asked whether adequate public preparation had been made against the possible failure of the impending moon shot. Mr. McElroy emphasized what had been done about making known the small possibility of success but admitted that the press preferred to handle in terms of great expectations.

The President got from Mr. Quarles a brief explanation of the trajectory and duration of the lunar probe should it prove successful. He emphasized that the average speed would be much less than the velocity needed to escape from the atmosphere, hence would require two and a half days to reach the vicinity of the moon.

(The President, the Vice President, Mr. Hagerty, and a few others left the meeting at this point.)

* * *

Outer Space Briefing - Mr. Gordon Gray reported that approval had been given during the NSC meeting yesterday to a preliminary outer space policy. He noted that some of the introductory paragraphs of the paper incurred Budget's objections because they seemed to exaggerate the importance of outer space to the people of the United States. Subsequently, he re-emphasized this point as one worthy of much attention, particularly since the Russian Sputnik did capture the imagination of the world and completely transformed attitudes about the status of Soviet scientific achievement.

Mr. Gray noted that the paper did not attempt to cover US policies regarding ballistic missiles or the anti-missile missile. He noted some definitions as to what constituted space and how the United States had refrained from settling on any specific mileage to delimit sovereign air

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space. He then listed briefly some of the potential projects for exploration of outer space.

Mr. Gray stated that international cooperation was cited in the paper as highly desirable, to be accomplished through the UN, multilateral agreements, bilateral agreements, etc. Regarding military implications of this, there might be some cooperation with our allies but further consideration was necessary regarding security aspects.

Mr. Gray reported conclusive evidence that the Soviets are conducting a high priority outer space program. Dr. Killian commented that the Russian achievement in great rocket thrust would seem to make it impossible for us to catch up for at least a year or two.

There was a brief discussion as to the interests and activity of any of our allies in the light of reports that the Chinese Communists would engage in a space project. Dr. Killian reported that none of our allies were active.

Mr. Gray gave a status report on the new Space Agency and Space Council. He expected the latter to be similar to the NSC, though it would not meet so frequently. Dr. Killian added that the Space Agency would back up the military in certain aspects of research and development but that its primary purpose would be peaceful development.

L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman (2) ✓
- Mr. Robert Gray
- Mr. Minnich

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CABINET August 15, 1958
Regular Session : 9:15 - 10:22

TELECOMMUNICATIONS

KILLIAN: One of the most dramatic and immediately available examples of new developments in science and technology which compound our telecommunications problem is the new technological facilities which will be needed to detect and counter ICBMs. Communications problems will be among the most serious in this particular undertaking. They are such that there is raised the whole question of the compatibility of domestic TV channels with this anti-ICBM program.

Other new Defense developments are just as significant. There are new communications systems using ionospheric scatter as a technique - the DEW line and our communicatio to Thule are partly of this nature.

These new developments require frequency assignments and re-allocations which will be very difficult to handle. The pressures on the available spectrum space have been great ever since World War II and they are getting worse. New uses, such as TV, railroads, taxicabs add to this pressure, as well as expanded need of older users such as police, aviation and forestry.

Earth satellites may demand spectrum space now being used by UHF-TV.

There are techniques for improving and making more efficient our spectrum use--techniques such as single side-band radio, etc. These could greatly increase the "productivity" of the radio spectrum if we could have the constant, day-to-day engineering management required.

If war should come, all these uses would greatly increase, including electro-magnetic counter-measures -- and these needs would pre-empt more of the spectrum. A study could examine these and other needs in the context of our total spectrum requirements. Major capital investments in equipment may be needed.

The Stuart Report of 1951 was pigeon-holed. If some of those recommendations had been implemented, we would not have some of the problems we have today.

(Reads a section)

DDE: What is the hope of finding new bands by more precision in use?

KILLIAN: There is real chance - by more precision in allocation and in use -- by more careful spectrum management.

DDE: How about lengthening the spectrum?

KILLIAN: We are pretty well limited at both ends.

G GRAY: The radio spectrum is one of our most important national resources. With the limits that there are in extending it at either end, the real solution lies in better managment of our use of it.

Government spectrum use and management is coordinated through OCDM. No single point of coordination between private and governmental use. There could be serious economic dislocations if frequencies were to be taken away from one user and reallocated to another.

Some 4 bill. in TV & radio sets could be made obsolete.

Example: the TV sets in the hands of the people -- how they would be affected by any change in channels or frequencies...

MR. DOERFER: FCC was originally conceived to effect more efficient spectrum use. Use of spectrum has grown like topsy - and without too much management in certain fields. Periodically it has become necessary to makean overall review of the entire use of the spectrum. Now it is 50% government and 50% non-government (i.e. federal and non-federal). Because of the inflexibiility of equipment and the seriousness of the economic ~~pim~~ impact of change, we cannot be as flexibile as we would like in affecting the best use of the spectrum. For instance - we have 82 TV channels -- 1-12 ~~XX~~ of VHF and 70 more in UHF. But we cannot get the UHF channel use off the ground -- people will not convert their sets. This has implications for the political and economic fields -- there may be many areas of our country ~~which~~ where there will ~~not be~~ adequate and competitive TV stations. UHF is not being used much at all now - considering its potentiality. And we are faced with a constant shortage of channels and spectrum availability.

The sooner this country gets an overall telecommunications policy --- it will cost money, but our country cannot continue to be a/profligate with our spectrum space as in the past.

G. GRAY: Dr. Killian some time ago spoke about these problems to me and we agreed we would ask the military what their needs are.

MCELROY: Defense obtains its frequencies through IRAC coordination - which has been quite satisfactory to Defense as coordinatin g machinery. Within the US Defense uses commercial channels, backed up by government-owned facilities. There is a system of priorities which has been developed by ODCM governing the restoration of facilities in case of an emergency.

Overseas, our communications are Defense-owned. We are supplementing radio circuits by cable systems.

In the past 7 years, two Presidential groups have looked into telecommunications policies - but the recommendations have not been acted upon. Defense agrees with the appointment of a commission to do what is needed. One thing is sure: there will be increased demand for communications facilities.

DE: You say "Defense" operates communications facilities! Don't you mean the separate services?

QUARLES: Yes - the separate services. The systems are coordinated to some extent and thereis some sharing of terminals.

DE: I knew this was the answer. How aggressive is your effort to coordinate the use as much as possible, and thus minimize the demands of yours which slop over into commercia and industrial and other needs?

QUARLES: We are making a study - trying to find means of providing channels for communications intelligence and other NSC-approved projects...

There is no question that we must have efficient coordination of the 3 or 4 services' systems whicndo exist side by side. Perhaps they could be merged into one system, but there are complications which make this impractical. We will have to adopt the "confederation" system.

DBE: With all these new technological developments, especially the use of multi-wire cable, have we gotten to the place where we can supplement short-range radio by cable networks overseas?

QUARLES: We are designing and installing an all-government primarily military radio-telephone cable system to Europe to parallel the commefcial cable system. We have a cable to Hawaii. This is expensive however, and unless we have enough circuit traffic to justify it, it is better for the government to lease commercial facilities.

G. GRAY: A story re IRAC: Quesada asked to be on it - and the "tight little bureaucracy" in this area refused him membership. I made a command decision that he was to be on in his capacity as Special Assistant to the President. Army, Navy and Air Force are represented on IRAC, but Defense is not... I cite this to show that it is one of our problems, too.

ALLEN DULLES:

We have a semi-covert communications system which can be used in emergencies, as it was in the Iraq situation, keyed in with military channels, when other channels of communication are cut off.

Re the USSR: We are making a study of their ~~post and~~ communications capability. It will be ready shortly. We have one such on China, and it is available to those here who may want it.

In the USSR telecommunications are managed and controlled by the government. It has a complete monopoly - even telephone. Private use is allowed only in slack periods. In telephone capabilities, they are far behind us, but in other fields they are equal with us or ahead of us.

There are some 200,000 populated cities of the USSR which have no telephone service at all. This actually helps USSR internal control -- the government believing it better to have communities not able on their own to talk to one another at will but to have the government exclusively able to bring control. They do not want an integrated country.

Microwave: has greatly increased - being extended to Siberia and the sub-artic. These systems will relieve the dependence on HF radio, which is subject to jamming.

Radio: This is the primary means of communication across Russia., where wire lines do not exist.

Naval Communications: VHF radio, and UHF, with indications of very advanced pulse and flash transmission techniques. EG: the Russian sub in the Atlantic recently was known to have received messages while submerged - and it undoubtedly sent some while submerged - and we detected the former but not the latter -- it bei which would help in locating them.

Air Defense: Highly sophisticated system- - controlled from central points.

Code: Excellent crypto machinery. In fact, most of their routine radio and wire circuit traffic is sent in scrambler.

Direction-finding: Excellent. The USSR can track aircraft all across Russia and into Europe --bearings are taken and rendered to central control points within minutes. T

Their advanced transmission techniques are even used by their clandestine agents. The Brooklyn arrest showed how capable they are of moving in and setting up communications without being detected.

Research: They drink in all the unclassified technological information on communications from this country, and then concentrate on what we don't know. Nothing can be done about this, but it helps them.

Jamming: They have between 2000 and 3000 jamming transmitters - centrally controlled. This is far more than they need to jam the VOA.- which leads us to the conclusion that they could and probably would jam our military circuits in time of emergency. They are alert to the possibility of detecting nuclear explosions by communications means -- as we notice in the Geneva talks. In an emergency, a great number of our circuits would be put of commission in Europe and possibly in Asia.

QUESADA: This is an old problem - I have been concerned with it for many years. Demands are increasing for spectrum use.- faster than our ability to extend or manage such use. One point deserves mentioning: in time of war we might find that we are jamming ourselves. Right now, if we turned on all the radar we have, we would have tremendous interference problems. This whole problem cannot be solved, as my wife sometimes does, by ignoring it or avoiding it. ... Favors a Commission.

HOEGH: FCC assigns n n-gov't frequencies; ODCM (through IRAC) the gov't frequencies. ODCM has other major telecommunications responsibilities by delegation from the President. ODCM has not in the past nor the present got an adequate staff for handling telecommunications matters. I find that the present staff is mostly devoted to clerical matters rather than to the broad management aspects of telecommunications. usage. FCDA was a claiment; ODM the adjudicator -- now we are combined. An expanded staff may be needed - but we are holding off until we know what telecommunications program we should embark on. I favor the establishment of a high-level group to examine this whole situation. SJ Res 106 not to pass this session.

GRAY: Recommendations:

Commission was considered this spring, but we held off because of ODCM marriage. Now that is over, we would move ahead.

SJ Res 106 was originally worded to apply only to the government's use of communications. When we agreed to try to amend it to include all usage of the spectrum, the TV industry got nervous, raised a complaint, and the Senators, sensing the really controversial nature of this business, "ran for cover." So- no action from that quarter this session. TV industry was afraid of a "stacked" Commssion which would take frequencies away from commercials and give them to the military.

It will cost money to have a study made. Stewart Report cost $250,000; this would probably be more.

If Congress does not make it, we sjhould do it ourselves, nevertheless. Should be five members - to report in six months from the date of qualifying.

I suggest that the President ask Gov. Hoegh to establish such a commission -- this would give it the Presidential prestige, but remove him personally from receiving its Report. Recruitment is a problem, in view of conflict of interest.

Warning: there are terribly controversial problems involved - as the Stewart Commission found. Neither the last Administration nor this Administration faced up to them.

Suggest using almost the wording of SJ Res 106 as the Terms of Reference for the new Commission.(reads)

Must be kept a Cabinet and Cabinet-level matters- because of these grave problems which we must face.

DE - No question about need - GGray, Hoegh, Budget and SA come in and talk with me about details of setting this up. I will impound $250,000 from appropriations if necessar to find the money.

V.P. MOON discussion - adverse public relations in over-anticipation of success.

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CABINET ~~PAPER—PRIVILEGED~~ RA - 58-115

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August 16, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet on Friday, August 15, 1958:

1. The Need for a National Telecommunications Policy

ACTION:

a. The President, after noting the remarks by the Special Assistant for Science and Technology, the Special Assistant for National Security Affairs, the Director of the Central Intelligence Agency, the Chairman of the Federal Communications Commission, and Members of the Cabinet, agreed that there is a clear need for an outside advisory commission to examine the entire telecommunications field (governmental and non-governmental) and that the Executive Branch should proceed promptly with its establishment and funding.

[See separate Cabinet Secretariat file: TELECOMMUNICATIONS]

b. The Director of the Office of Defense and Civilian Mobilization, the Director of the Bureau of the Budget, the Special Assistant to the President for National Security Affairs, and the Assistant to the President will confer further with the President concerning the precise means of establishing the Commission, using as a basis for discussion the recommendations advanced without objection at the meeting, namely:

  i) A five- member Commission, instituted at the request of the President, but reporting to the Director of the Office of Defense and Civilian Mobilization;

  ii) Terms of Reference following closely the amended wording of S. J. Resolution 106;

  iii) A reporting deadline of 6 months from the time of appointment of the Members;

  iv) Provision for careful Cabinet attention to the work of the Commission and to the major questions which will inevitably be raised in its Report.

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Authority DOD LTR
Date 3/25/75
By DJH, NARS Date 4/10/75

CABINET PAPER

For Action

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v) The possibility, as suggested by the President, of Congressional action in January to support the Commission and to endow it with the power of subpoena.

c. The Secretary of Defense will give further attention to efforts to manage the Defense Department's total use of the ràdio spectrum with maximum efficiency and economy in channel utilization.

POST-CABINET BRIEFING

Outer Space Policy

/Information Item Only/

Robert Gray
Secretary to the Cabinet

Approved by the President
August 18, 1958

THE WHITE HOUSE
WASHINGTON

August 14, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, August 15

The following item is listed on the Cabinet Agenda for Friday:

1. The Need for a National Telecommunications Policy

On August 26, 1954, at the recommendation of the Rockefeller Committee, you established a Cabinet Committee on Telecommunications Policy and Organization. The text of your letter is under Tab 1.

In June of 1955 the Cabinet Committee reported back to you its interim findings, but no recommendations. At that time you suggested that a group of outside consultants be established to make a parallel study of these controversial and difficult questions.

For reasons unknown, the consultants were never appointed. The Cabinet Committee was terminated in May 1957.

In effect, nothing has been done to finish the job of meeting the need of which you spoke in 1954.

The purpose of this meeting is to demonstrate that the need is still with us, and in fact, has become intensified. At the end of the series of short presentations, Mr. Gordon Gray will present recommendations for your approval which can move this undertaking back into high gear.

Post-Cabinet Briefing

Outer Space Policy

The Vice President, Messrs. McElroy, Anderson, Stans, and Hoegh joined with you in seeing this presentation at the NSC this week. Other Members of the Cabinet have expressed an interest in this briefing which will be given after you leave the Cabinet room.

Robert Gray
Secretary to the Cabinet

Post-Cabinet Briefing

Outer Space Policy

Gordon Gray started his presentation by admitting Dr. Killian's preeminence in the field, and said that he would ask Dr. Killian to stay to answer technical questions.

He began his briefing by stating as he put it, probably unnecessarily, that conquering space has been the dream of pepple for a long time. He pointed out that a need for a firm U.S. space policy is urgent. First, because Russia has surpassed us and the free world in outer space exploits, and second because if Russia maintains her lead she can not only undermine U.S. presitge, but she can threaten her security.

The space policy advocated will not include ballistic missiles or anti-missile missiles, or the defense weapons.

Mr. Gray next defined such terms as air space and outer space, and agreed with Dr. Killian's interjection that there can be no public position as to these definitions other than to agree that space is ~~defined~~ divided into air space and outer space.

He then listed some of the many vehicles expected to traverse outer space and some of the uses to which outer space might be put, such as:

- Navigational control stations
- Electronic counter-measures
- Weather control
- Manned lunar stations
- Reconnaissance satellites (to check missile and satellite launchings)

A firm policy is necessary for international cooperation. We may use UN or NATO or some other existing framework.

(Flipped many pages)

Soviets are conducting a well planned outer space program. If this program is continued Russia will continue to hold its lead for more than a year, assuming that she stands still insofar as further progress is concerned.

Dr. Killian pointed out that there are other sophisticated things we can do, such as our shot at the moon, etc. But it would be at least a year if the advantage were all ours before we could catch up with the USSR and put a large load into orbit.

Asked by the Postmaster General if our Allies are doing anything, Dr. Killian reported that practically nothing was being done even by the British, that the full load was on our shoulders. He did point out that Red China may soon put up a satellite with the technical assistance of Russia. If we were to attempt to help an ally put up a satellite he estimated such a gesture would take at least 6 months before completion.

The purpose of our policy, continued Gray, must be to move the U.S. into a position of leadership and keep her there.

He pointed to the new space bill, which provides for a National Aeronautics and Space Council to be headed by the President; the National Aeronautics and Space Administration to be headed by an Administrator; and a Civilian-Military Liaison Committee, to be headed by a Chairman.

It was further pointed out that the House Committee cut the appropriation request, but that there is now a strenuous effort on the part of Congress itself to get the funds restored.

Mr. Gray concluded with a statement that the new agency is to devote itself primarily to peaceful uses of space, but that it will back up the military in the fields of research and development.

[illegible]
Dept. Justice
Hagerty
Gen. Goodpaster
Amb. Hill

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CA - 58-116

August 27, 1958

The White House

Washington

THE CABINET

Agenda

Thursday, August 28, 1958

9:00 AM -- EXECUTIVE SESSION

ARCHIVAL BOND
25% COTTON

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

Dr. [illegible]
[illegible]
Haight
Gen. [illegible]
Amb. Hill

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THE CABINET

Agenda

Thursday, August 28, 1958

9:00 AM -- EXECUTIVE SESSION

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

[illegible] governing access to national security information.
[illegible] which originated the document.
[illegible] the donor's deed of gift.

GSA [illegible]

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

MINUTES OF CABINET MEETING

September 26, 1958
8:30 A. M. --- 9:20 A. M.

The following were present:

President Eisenhower

Under Sec. Herter
(for Sec. Dulles)
Under Sec. Scribner
(for Sec. Anderson)
Sec. McElroy
Atty Gen Rogers
Deputy PMG Sessions
(for Mr. Summerfield)
Sec. Seaton
Sec. Benson
Sec. Weeks
Under Sec. O'Connell
(for Sec. Mitchell)
Sec. Flemming

Deputy Director Roger Jones
(for Mr. Stans)
Gov. Hoegh
Amb. Lodge

Dr. Libby, AEC
Deputy Director Patterson, OCDM
Dr. Saulnier, CEA

Gen. Persons
Gen. Goodpaster
Mr. Gordon Gray
Gov. Pyle
Dr. Hauge
Mr. Siciliano
Mr. Merriam
Mr. Morgan
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

Philharmonic Symphony Concert - The President reported Mrs. Luce's interest in bringing to the attention of the Cabinet the forthcoming performance of the Philharmonic Orchestra following its Latin-American tour.

Publication of Presidential Correspondence - The President cited a recent instance of the press release of a letter he had written, and he asked that a clear indication be made at time of presentation for signature as to whether press release might be intended. The Attorney General indicated that he had not been closely involved in this letter, and subsequently clarified this to indicate he had concurred in the substance but had not discussed press release with members of the White House staff.

Civil Defense Plan (CP 58-85) -- Gov. Hoegh recapitulated the contents of this master Civil Defense plan, then stressed that promulgation by the President was the important thing. He urged that this plan be put into effect so that it could be thoroughly tested, and he noted that a number of

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PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/6/78
NLE Date 11/20/78

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

II 33

Governors were already in full accord with the plan.

The President inquired as to whether further comments would be coming to him from the departments, or to Gov. Hoegh, for he realized that once this plan was published it should be maintained unchanged during a testing period. Mr. McElroy said that the basic document was agreeable to the Department of Defense but that there would be need for much discussion of the Annexes as they developed in the future. Mr. Lodge hoped publication of the plan might be delayed for further developments in the Formosa Straits and completion of the election campaign. Mr. Herter said that the relationship of the Formosa crisis had been discussed and was not seen as an obstacle to immediate publication. Mr. Benson inquired as to the implications from a political campaign point of view. Gov. Hoegh thought it would be well received. Mr. Lodge agreed that the State Governors and Mayors might welcome it, but that candidates for Congress might seize on it for political ammunition. The President agreed that there might never be a time without some sort of an international flurry to get in the way of announcement, but he felt a question could appropriately be raised as regards the campaign period, especially since only five weeks were left. He asked that this aspect be reviewed.

United Givers Fund - Mr. Rogers, Chairman of the Government campaign, requested full support of Cabinet heads toward achieving the Government goal this year, especially since the goal was not reached in 1957.

The President then cited criticisms that had reached him about the envelope system, and he asked that this subject be reviewed since he was not entirely sure that the Government had made the right decision on this when setting up the Federal program. He stated that Government employees live in the area and are beneficiaries of the organizations active in the area, hence have responsibilities toward the organizations.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

The President asked that information be obtained from HEW as to the increase in Federal health research funds since 1953. He inquired also as to the efficiency of the several private health funds, about which some allegations had been made as to heavy administrative overhead. He recalled that the Damon Runyon Cancer Fund was supposed to operate without a cent for overhead, which apparently was not true of all agencies. Since the Executive Branch asked Federal employees to contribute to these, he felt the Administration ought to be informed on overhead costs.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Gray
Mr. Minnich

~~CONFIDENTIAL~~

September 27, 1958

MEMORANDUM FOR THE PRESIDENT

The agencies concerned concur in the draft Record of Action of Friday's meeting. It is submitted herewith for your approval.

Robert Gray
Secretary to the Cabinet

Attachment

Approved "DE"
9/29/58

BHP:ccm

CP - 58-85

CABINET PAPER—PRIVILEGED

September 23, 1958

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The White House

Washington

THE CABINET

The National Plan for Civil Defense and Defense Mobilization

For consideration by the Cabinet, attached is the proposed final draft of this document, prepared by the Director of the Office of Civil and Defense Mobilization.

The Federal Civil Defense Act as amended by Reorganization Plan #1 of 1958 authorizes the Director of the Office of Civil and Defense Mobilization to "...prepare national plans and programs for the civil defense of the United States,..." Under this authority documents pertaining to a wide variety of civil defense matters have been promulgated, but the basic principles underlying them have not as yet been stated in a single plan.

Governors and Mayors, State and local directors of civil defense, Federal agency officials and representatives of many interested public and private groups have joined with the Director of the Office of Civil and Defense Mobilization in the conclusion that the need for such a document is both immediate and continuing.

This proposed National Plan for Civil Defense and Defense Mobilization presents in a single document the basic civil defense and defense mobilization principles, responsibilities and courses of action for protecting lives and property and for the Nation's recovery, in the event of attack.

The proposed plan is the product of review and consideration by all governmental levels and by persons and groups officially advisory to the Director. Some of these are: Executive Committees of the National Association of State Civil Defense Directors and the United States Civil Defense Council; Civil Defense Advisory Council; Medical Advisory Committee and the Labor Advisory Committee.

Within the Federal Government, this proposed Plan has been the subject of intensive interdepartmental review through the Civil and Defense Coordinating Board.

An earlier draft of this Plan was presented to the Cabinet for its information on May 2, 1958 (RA - 58-104, Item 3) and since then has undergone further intensive interagency study.

The basic document, which, it is proposed, will be promulgated by the President, is now submitted herewith for the personal consideration and concurrence of members of the Cabinet and for the approval of the President.

Following this concurrence and approval, it is intended that the Plan will receive extensive publicity and wide dissemination.

The detailed annexes to the Plan, listed in the Index of Annexes near the beginning of the document, will likewise be disseminated as soon as each has been approved by the Director of the Office of Civil and Defense Mobilization and by the agencies concerned.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

[Revised page (i) of CP - 58-85:
The National Plan for Civil Defense
and Defense Mobilization]

PROMULGATION

It is the clear and unequivocal position of the United States that conflict and disagreement among nations should not be resolved by the use of force. The United States will continue through all available international channels to attempt resolution of disagreements by all means that will allow peace with honor. Nevertheless, so long as armed or indirect aggression is used as an instrument of national policy by any nation, common prudence requires that the protection of the people of the United States be insured by both active and passive means of defense.

Civil Defense and Defense Mobilization are vital parts of the Nation's total defense.

The National Plan for Civil Defense and Defense Mobilization is promulgated in accordance with the provisions of Reorganization Plan No. 1 of 1958, other applicable laws and executive orders.

The Director, Office of Civil and Defense Mobilization, shall manage and direct the civil defense and defense mobilization programs of the United States.

Agencies of the Executive Branch of the Federal Government shall plan, prepare and undertake actions for the execution of this Plan as assigned by the Director.

Periodic testing of plans and programs developed in conformance with this Plan shall be conducted and reports upon readiness conditions shall be submitted to the Director.

The Director shall revise the Plan as necessary.

[For the signature of the President]

THE NATIONAL PLAN
for
Civil Defense and Defense Mobilization

The [illegible] Eisenhower Library

Executive Office of the President
OFFICE OF CIVIL AND DEFENSE MOBILIZATION

FINAL WORKING DRAFT

PROMULGATION

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The Director shall revise the plan as necessary.

D.D.E.

NATIONAL PLAN
FOR
CIVIL DEFENSE
AND
DEFENSE MOBILIZATION

OCDM BC 30466

PREFACE

This plan establishes national nonmilitary courses of action and the role of the Federal Government, the States, their political subdivisions and the people to deter aggression and in the event of aggression to enable the Nation to survive, recover and win.[1]

The plan anticipates three principal contingencies:

1. International tension, but not of such extreme nature as to require the invocation of full emergency authorities

2. Limited war, defined as a situation in which United States forces are engaged overseas, but in which there is no immediate expectation of nuclear attack on the continental United States

3. General war, including massive nuclear attack.

It is designed to be flexible and adaptable to changes in international relations, techniques and materiel of warfare and to other pertinent factors.

The basic plan is a statement of principles, responsibilities, requirements and broad courses of action, supported and amplified by annexes. While other documents concerning civil defense and defense mobilization will be issued as necessary, each will be subordinate to and compatible with this plan.

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[1] For courses of action to meet conditions arising from major natural disasters, see Annex 41, NATURAL DISASTER MANUAL.

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34. NATIONAL ENERGY AND MINERALS PLAN

35. NATIONAL TRANSPORTATION PLAN

36. EMERGENCY ADMINISTRATION OF ESSENTIAL FACILITIES

Annexes (Continued)

37. RESEARCH AND DEVELOPMENT

38. TRAINING AND EDUCATION

39. FEDERAL ASSISTANCE

40. REVIEW, TESTS AND INSPECTION

41. NATURAL DISASTER MANUAL

42. SUMMARY OF ANNEXES

NATIONAL PLAN FOR
CIVIL DEFENSE AND DEFENSE MOBILIZATION

I. PLANNING BASIS[1]

Three contingencies most directly affecting civil defense and defense mobilization are international tension, limited war and general war.

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A. International Tension

It is assumed that periods of extreme international tension may occur. In such cases, when the President or the Congress finds that the national security demands the invocation of extraordinary authority for civil defense programs short of the declaration of a civil defense emergency, civil defense and defense mobilization measures would be accelerated.

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[1] See Annex 1, PLANNING BASIS

B. Limited War

It is assumed that limited wars may occur in various parts of the world. Depending on size of forces involved, duration of hostilities, kinds of weapons used and degree of U. S. involvement, such limited wars may require degrees of mobilization of U. S. resources, production and manpower, and acceleration of U. S. nonmilitary defense as a matter of prudence.

C. General War

It is assumed, in the absence of international agreement, that weapons employed in an attack against the United States would be predominantly of multimegaton yield. The use of biological and chemical agents is possible. Delivery systems in the next few years would be predominantly man-operated with a resulting probable maximum tactical warning of initial attack of three hours for the Nation as a whole; thereafter, delivery systems would be predominantly unmanned, with maximum tactical warning of initial attack reduced to one-half hour for the Nation as a whole. AT ANY TIME DURING THIS PERIOD, ATTACK COULD COME WITH NO TACTICAL WARNING.

Strategic warning is a possibility.

II. MISSION

The national defense objective is to deter either limited or general war or, if deterrence fails, to prosecute the war successfully and recover from it.

Within this objective, and as an integral part of the total defense of the Nation, the mission of civil defense and defense mobilization is

1. Protection of life and property by preparing for and by carrying out nonmilitary functions to prevent, minimize, repair and recover from injury and damage
2. Mobilization and management of resources and production.

III. RESPONSIBILITIES

All citizens and governments at all levels, by virtue of their inherent obligation to support the common defense, are jointly responsible for the civil defense and defense mobilization of the Nation.

A. Federal Government

The Federal Government is responsible for direction and coordination of the total national effort.

B. State Governments

The government of each State is responsible for the direction and coordination of the civil defense and defense mobilization activities of the State and its political subdivisions.

C. Local Governments

The government of each political subdivision is responsible for the direction and coordination of the civil defense and defense mobilization activities of that subdivision.

D. Industry

The leaders of industry, labor and financial institutions are responsible, in cooperation with appropriate government agencies, for planning and executing measures designed to assure the continued functioning, or rapid restoration to functioning, of the essentials of the national economy.

E. The Public

Individuals and families are responsible for sustaining themselves in an emergency and for contributing to the general survival and recovery effort.[1] Professional, labor, service, religious, civic and social organizations are responsible for making such contributions to the preparation for and assurance of national, state or community survival as may be possible.

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[1] See Annex 2, INDIVIDUAL ACTION.

IV. ORGANIZATION[1]

A. Federal[2]

1. The Director commands the Office of Civil and Defense Mobilization (OCDM) and, acting for the President, coordinates and directs the civil defense and defense mobilization activities of the Federal Government.

2. The head of each federal department and agency, coordinated by the Director, OCDM, plans and conducts such civil defense and defense mobilization activities as are inherent in its normal responsibilities or as may be assigned by the Director, OCDM.[3] All agencies having resources or competence related to civil defense and defense mobilization programs assist the agencies having primary responsibilities.

3. The field organization of OCDM is composed of regional offices, each commanded by a Regional Director, who in his region acts for the Director.

4. The Regional Director, OCDM coordinates and in appropriate circumstances directs the civil defense and defense mobilization activities of federal agency field establishments within his region.

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[1] See Annex 3, ORGANIZATION FOR CIVIL DEFENSE AND DEFENSE MOBILIZATION.

[2] See Annex 4, AUTHORITIES FOR CIVIL DEFENSE AND DEFENSE MOBILIZATION.

[3] See Annex 5, FEDERAL DELEGATIONS AND ASSIGNMENTS, and Annex 6, FEDERAL EMERGENCY PROCEDURES.

5. The Regional Director coordinates the civil defense and defense mobilization activities of the States in his region. At the request of the state government, or in event the state government is unable to act, the Regional Director will direct such state activities. Field establishments of other federal agencies maintain technical liaison with state and local counterparts, under arrangements approved by the Regional Director and the State concerned.

6. Military Support[1/]

B. State and Local

1. The chief executives of state and local governments direct the civil defense and defense mobilization activities within their jurisdiction. With the assistance of their civil defense staffs, the chief executives will direct the performance of emergency functions within the regularly constituted government structure, augmenting it where needed. policy

2. States and localities are organized for civil defense and defense mobilization as prescribed by their governments except that, where States are charged with and agree to carry out responsibilities delegated by the Federal Government, the state and local organizations will conform to requirements prescribed by the Director. law

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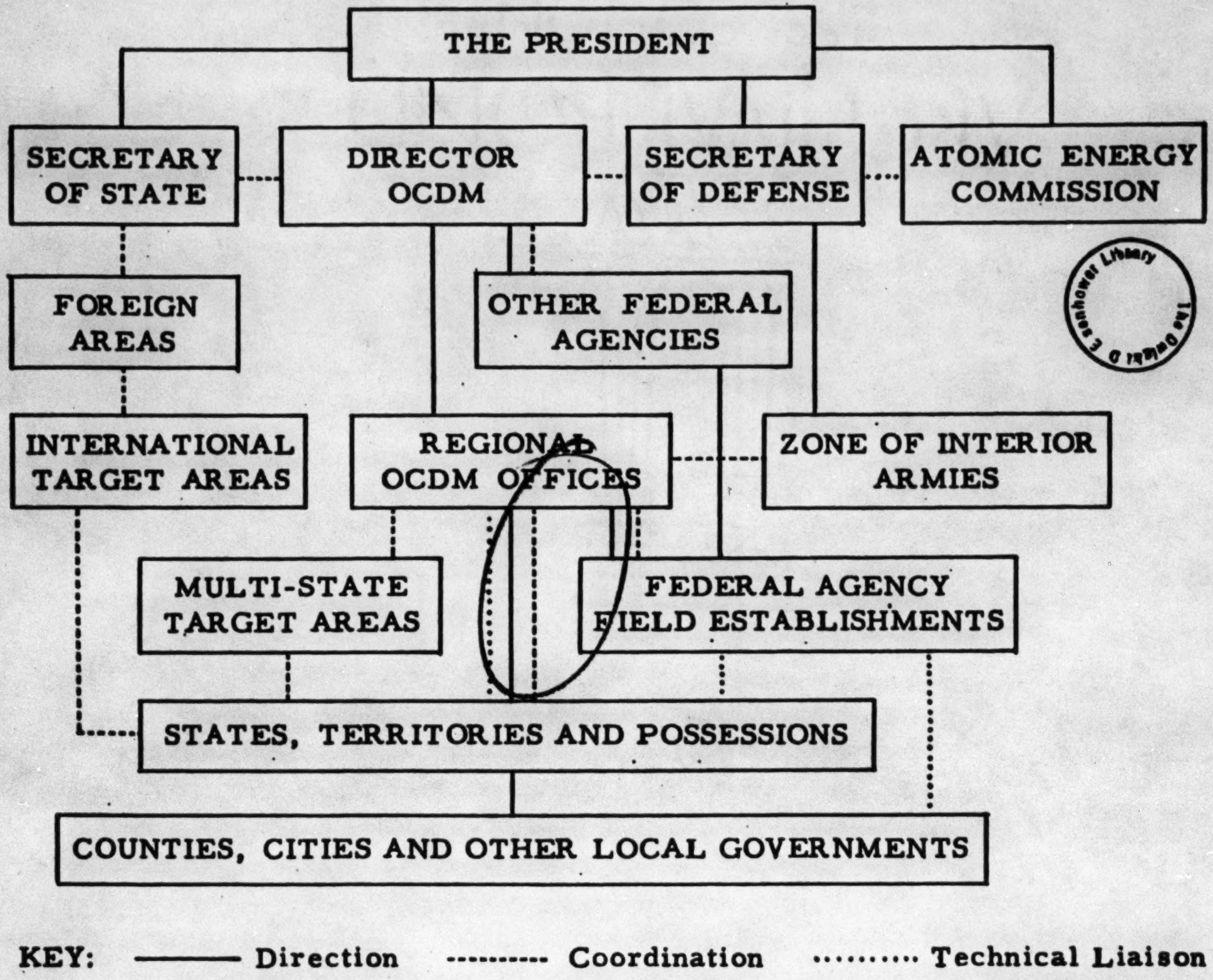
1/ See Annex 7, ROLE OF THE MILITARY.

C. Channel of Coordination

The civil defense and defense mobilization channel of coordination is established, down which will be transmitted instructions and up which requests for assistance will be made.


THE PRESIDENT
SECRETARY OF STATE
DIRECTOR OCDM
SECRETARY OF DEFENSE
ATOMIC ENERGY COMMISSION
FOREIGN AREAS
OTHER FEDERAL AGENCIES
INTERNATIONAL TARGET AREAS
REGIONAL OCDM OFFICES
ZONE OF INTERIOR ARMIES
MULTI-STATE TARGET AREAS
FEDERAL AGENCY FIELD ESTABLISHMENTS
STATES, TERRITORIES AND POSSESSIONS
COUNTIES, CITIES AND OTHER LOCAL GOVERNMENTS
KEY: —— Direction
---------- Coordination
·········· Technical Liaison

V. FUNCTIONS

A. Protection of Life and Property

1. Continuity of Government[1/]

The Federal Government and the governments of the States and their political subdivisions, in order to insure their continuity in the event of attack or other disaster, will

a. Establish and promulgate lines of succession to official positions

b. Provide for the safekeeping of essential records

c. Establish control centers and alternate sites for government emergency operations

d. Provide for the protection and maximum use of government personnel, resources and facilities.

2. Public Information and Education

Each government will conduct programs of public information and education on attack effects and proper responses for the persons residing within its jurisdiction with the objective of providing every person with the knowledge essential

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1/ See Annex 8, PREPARATIONS FOR CONTINUITY OF GOVERNMENT.

for survival.[1]

3. Reduction of Vulnerability

Consistent with resources available or to be made available and in conformity with established national policy, each government will supplement individual and family preparations by planning and executing programs related to

a. Public shelters and protective devices[2]

b. Hardening, dispersal and duplication of essential production, distribution and service facilities[3]

c. Controlled movement of people and materials, the development of reception areas for evacuees and homeless persons, and stockpiling of survival needs in or near these areas.[4]

4. Warning of Attack[5]

a. Source

The primary source of attack warning is the North American Air Defense Command. (OCDM Attack Warning Officers are stationed at NORAD installations to receive warning information.)

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[1] See Annex 9, PUBLIC INFORMATION.
[2] See Annex 10, NATIONAL SHELTER PLAN.
[3] See Annex 11, PROTECTION OF ESSENTIAL FACILITIES.
[4] See Annex 12, CONTROLLED MOVEMENT.
[5] See Annex 13, WARNING.

b. Dissemination

(1) The Federal Government will provide attack warning information to all States and, in accordance with federal-state arrangements, directly to political subdivisions on the National Warning System.

(2) State and local governments, with the financial and technical assistance of the Federal Government, will provide for the dissemination of attack warning to the public.

c. Action on Warning

(1) Governments and the public will take such action on receipt of warning as is prescribed by the government involved.

(a) Evacuation or dispersal [1]

Target cities and other areas near assumed targets will, if time and conditions permit, execute plans for evacuation or dispersal to prepared reception areas.

(b) Shelter [2]

If time and conditions do not permit evacuation, full advantage will be taken of existing shelter, and fallout protection will be improvised.

1/ See Annex 12, CONTROLLED MOVEMENT.
2/ See Annex 10, NATIONAL SHELTER PLAN.

(c) THE ACTION TO BE TAKEN IS A LOCAL DECISION.

(2) Where outdoor warning signals are used to warn the public, they will consist only of

(a) The "alert" signal

A 3 to 5 minute steady blast or tone, meaning "attack is probable -- take action as directed by local governments."

(b) The "take cover" signal

A 3 minute warbling tone or a series of short blasts meaning "attack is imminent -- take cover immediately in the best available shelter."

5. Preparations for Damage Assessment[1/]

Each government will design, construct and maintain in operating condition systems capable of providing rapid and reasonably accurate estimates of

a. The anticipated and existing location and degree of attack effects, especially radiological contamination

b. What has survived the attack and is useful for recovery.

[1/] See Annex 14, DAMAGE ASSESSMENT.

6. Communications[1]

a. Operational communications

(1) National communications system

The Federal Government will maintain at all times, reasonably secure from attack effects, communications

(a) Within and among federal agencies having emergency responsibilities and

(b) Between the Federal Government and the States.

(2) State and local communications

State governments will maintain at all times reasonably secure from attack effects, for their emergency operations, communications

(a) Among state agencies having emergency responsibilities and

(b) Between state governments and their political subdivisions.

Local governments will maintain communications for their emergency operations.

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[1] See Annex 15, COMMUNICATIONS.

The Radio Amateur Civil Emergency Services (RACES) will provide essential communications for regional, state and local use to augment normal communications or to substitute for them if necessary. (RACES will comply with Federal Communications Commission regulations governing CONELRAD.)

b. Communications with the public

(1) Emergency means

As the situation permits and subject to emergency powers of the Director, all existing means of communications not required to support military operations will be used (in accordance with Conelrad regulations).

(a) Pre-Conelrad

Prior to the invocation of Conelrad, civil authorities will use all broadcasting facilities -- AM and FM radio and television and all emergency means -- to give emergency instructions and information.

(b) Conelrad

The Commander of NORAD is responsible for ordering the radio alert which puts the Conelrad plan into effect.

As soon as possible the participating AM stations will return to the air on the approved maximum power and broadcast vital information and instructions to the public on the Conelrad frequencies of 640 or 1240 kilocycles. FM and TV stations will remain off the air for the duration of the radio alert.

(c) Post-Conelrad

After the Conelrad radio alert has been terminated by the NORAD Commander, civil authorities will use all surviving civilian owned means of broadcasting, calling on military communications support if necessary.

(2) Priorities of use in emergency

Instructions and information relating to measures to support military operations and to save life have priority over all other information and instructions.

7. Maintenance of Government, Law and Order[1]

a. State and local:

(1) Local government is the basic entity responsible for the emergency maintenance of law and order.

(2) State law enforcement forces will

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[1] See Annex 16, MAINTENANCE OF LAW AND ORDER.

support local police services in emergency as the situation allows. States will exercise general control and provide services in areas where the local government is unable to act. Requests for additional police support will not be made to the Federal Government until state and local police are, or are expected to be, inadequate to cope with the situation.

b. Federal

(1) Upon request of the state government, or in event the state government is unable to act, the Federal Government will assume and exercise all necessary government functions during an emergency in areas where it is determined that government organizations have been rendered incapable of performing vital functions.

(2) Upon request, the Secretary of Defense will provide emergency military aid to the civil authority to assist in the maintenance of law and order, to the extent that such commitment will not interfere with the conduct of primary military missions.[1]

(3) Federal agencies having responsibilities for performing or assisting in the performance of state and local government functions will be familiar with relevant state and local plans.

8. Disaster Services[2]

a. General

States and their political subdivisions, with the financial and technical assistance of the Federal Government, will accumulate necessary supplies and equipment and recruit and train personnel in disaster services. The Federal Government will acquire and store limited quantities of supplies and equipment for disaster service operations as a general reserve. Disaster services include but are not limited to

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[1] See Annex 7, ROLE OF THE MILITARY.

[2] See Annex 17, DISASTER SERVICES.

(1) Casualty care and emergency public health[1]

(2) Emergency welfare services[2]

(3) Rescue

(4) Debris clearance

(5) Fire protection[3]

(6) Decontamination[4]

b. Emergency procedures

(1) State and local

(a) Local governments will direct the movement of populations away from danger areas, commit disaster forces under their control as required by the situation, evaluate their capabilities and notify the State of deficiencies or excess capabilities. In accordance with prearranged plans approved by the State and the

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1/ See Annex 18, NATIONAL MEDICAL AND HEALTH PLAN.
2/ See Annex 19, MASS CARE; Annex 20, REGISTRATION AND INFORMATION and Annex 21, FINANCIAL ASSISTANCE AND REHABILITATION.
3/ See Annex 22, NATIONAL FIRE PROTECTION PLAN.
4/ See Annex 24, NATIONAL RADIOLOGICAL DEFENSE PLAN.

OCDM Regional Director, notification may also be made to the field offices of appropriate federal agencies. Due consideration will be given to the continuing requirements for disaster services in emergency commitment actions.

(b) The State in turn will evaluate the total situation within the State, direct the movement of populations away from the danger areas and commit state disaster forces, including those made available by invocation of interstate compacts, as indicated by the situation.

(c) Field offices of appropriate federal agencies and nongovernmental organizations (such as the American Medical Association, American Hospital Association, American National Red Cross) will assist the States in providing disaster services.

(d) When state capabilities are deficient, requests for needed support will be made to the OCDM Regional Director. Capabilities excess to the needs of the States will also be reported to the Regional Director when requested. Where prearranged plans approved by the State and the OCDM Regional Director exist, requests for support and reports of excess capabilities may be made to field establishments of appropriate federal agencies.

(2) Federal

Federal disaster service capabilities will be made available to augment state and local resources as soon as possible when not required for emergency activities of the Federal Government. An appropriate portion of the total of federal disaster services materiel will be committed only for re-establishment of a minimum level of regular community disaster capability for the surviving population.

9. Emergency Protection from Delayed or Unconventional Weapons Effects

a. Clandestine and unexploded ordnance[1]

(1) State and local

State and local forces will conduct reconnaissance for unexploded ordnance within their jurisdictions and report the existence of such ordnance to the closest Department of Defense Explosive Ordnance Disposal Unit or Z. I. Army Commander through the OCDM Regional Director. State and local authorities will provide for restriction of areas and protection of persons from such ordnance, including execution of plans for evacuation to safer areas, until arrival of the responsible explosive ordnance personnel. State and local authorities will assist such personnel when requested.

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[1] See Annex 23, CLANDESTINE AND UNEXPLODED ORDNANCE DEFENSE.

(2) Federal

The Federal Bureau of Investigation will investigate reported incidents of clandestinely introduced weapons. The Department of Defense, through its Explosive Ordnance Disposal Units, will disarm atomic weapons and dispose of other unexploded weapons. The Atomic Energy Commission will take custody and dispose of fissionable materials of unexploded ordnance.

b. Radiation[1]

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(1) State and local

Local authorities will monitor the areas for radiological contamination, identify the degree and location of the radiological hazards, report such hazards to the public and to the State and, if conditions require, execute plans for evacuation to safer areas. States will monitor, accumulate data on, evaluate and summarize the total radiological situation in the State, advise the general public of the State and inform the OCDM Regional Director.

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[1] See Annex 24, NATIONAL RADIOLOGICAL DEFENSE PLAN.

(2) Federal

OCDM will direct the federal radiological defense program.

The Weather Bureau, Department of Commerce, under the general direction and coordination of the Director, will make fallout forecasts available to state and local governments. All federal agencies having requisite capabilities will monitor radiation levels and furnish data to civil defense agencies--federal, state and local--as required.

c. Biological and chemical agents[1]

(1) State and local

State and local governments will detect, identify and control chemical and biological warfare agents within their jurisdiction, advise the public, report the situation to other governments and, if conditions require, execute plans for evacuation to safer areas.

(2) Federal

Under the direction and coordination of OCDM, the Department of Health, Education and Welfare will direct federal activities concerned with the nonmilitary detection, identification and control of chemical and biological warfare against humans. The Department of Agriculture will direct federal nonmilitary activities concerned with chemical and biological warfare against animals and crops.

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[1] See Annex 25, NATIONAL BIOLOGICAL AND CHEMICAL WARFARE DEFENSE PLAN.

B. Mobilization and Management of Resources and Production[1]

1. Most resource mobilization and management functions listed below are normally federal responsibilities, although under conditions of a devastating attack the States would have to assume responsibility for resource management until effective federal authority could be restored. The Federal Government will establish criteria for resource use and management in the interest of national equity.

2. Development and Maintenance of Essential Resources

a. The Federal Government will assure the existence and availability of resources necessary for expanding, maintaining or restoring production and distribution processes essential to civil defense and defense mobilization. Such resources will consist of raw materials, finished goods, facilities, essential services and manpower required for the production and distribution of

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[1] See Annex 26, MAINTENANCE OF ESSENTIAL RESOURCES.

(1) Military materiel

(2) Atomic weapons and equipment

(3) Domestic needs for capital and consumer goods and services

(4) Assistance to foreign areas.

b. The Federal Government will stimulate the development and maintenance of reserves of such essential resources through programs for

(1) Increasing inventories of such resources by state and local governments, private industry and individuals

(2) Maintaining federal stockpiles of such resources, to the extent needed to supplement other inventories, in forms and at places most suitable to ultimate use

(3) Preallocating emergency production and distribution contracts to insure, wherever practicable, sufficient indications of government intent

(4) Developing substitutes for essential resources unavailable from domestic sources

(5) Developing original domestic sources for essential resources

(6) Expanding existing productive capacity and the production and supply of materials and facilities essential to production and distribution

(7) Controlling exports to and imports from foreign areas.

3. Reserves of Consumer End Products

The Federal Government will accumulate, store and assure the availability of essential consumer end products expected to be temporarily unavailable in sufficient quantity from existing private and commercial stocks or from new production.

4. Protection of the National Industrial Plant[1]

The Federal Government will contribute to the reduction of the vulnerability of the national industrial plant to overt or covert enemy action through programs for

a. Physical protection, including dispersal of industrial facilities (see also Part V. A. 6)

b. Continuity of industrial management during emergency

c. Maintaining multiple sources of supply for mobilization requirements

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[1] See Annex 27, PROTECTION AND CONTINUITY OF THE NATIONAL INDUSTRIAL PLANT.

d. Stimulating voluntary agreements among industries and industry members to provide for expeditious combinations or exchanges of resources during emergency.

5. Preparations for Resource Mobilization and Management [1]

a. In accordance with the nature and degree of various possible emergency conditions, the Federal Government will continuously assess the ability of the national economy to meet all requirements stated under V. B. 2. a, will develop programs for emergency control of the economy, and will prescribe the emergency roles and responsibilities of state and local governments, private industries and the individual.

b. Programs for preparing to control the national economy will include but not be limited to

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(1) Money and credit, and the entire financial system, with the objective of optimum support of mobilization, survival and recovery [2]

(2) Production, with the objective of optimum use of the national industrial plant [3]

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[1] See Annex 28, EMERGENCY FINANCIAL CONTROLS; Annex 29, MANAGEMENT OF EMERGENCY PRODUCTION and Annex 30, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

[2] See Annex 28, EMERGENCY FINANCIAL CONTROLS.

[3] See Annex 29, MANAGEMENT OF EMERGENCY PRODUCTION.

(3) Distribution,[1] with the objective of

(a) Meeting emergency requirements with available supplies

(b) Facilitating national recovery

(4) Consumption, with the objective of conserving available supplies and applying them in the manner best designed to achieve national survival and recovery[1]

6. Exercise of Authorities and Controls[2]

a. The Director, as directed by the President, will exercise authorities and controls necessary to obtain required goods and services and to stabilize the economy. Such authorities and controls will be planned to meet various contingencies such as the circumstances incident to attack or the declaration of a limited, national or civil defense emergency.

b. Economic control will require the use of such measures as will be effective under the terms and conditions of emergency. Such measures will include but not be limited to

(1) Continuation, alteration or cessation of government or private activities concerned with or incident to operation of the economy

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[1] See Annex 30, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

[2] See Annex 28, EMERGENCY FINANCIAL CONTROLS; Annex 29, MANAGEMENT OF EMERGENCY PRODUCTION and Annex 30, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

(2) Construction or modification of facilities

(3) Allocation of goods and services, including the rationing of consumption items

(4) Requisition or condemnation of real and personal property

(5) Prohibition against the unwarranted accumulation, conversion or use of real and personal property

(6) Freezing, controlling or specifying wages, salaries, rents and prices

(7) Effective use of scarce skills.

7. Management of Resources and Facilities After Attack on the Continental United States

a. Resources

(1) Responsibilities

(a) Public [1]

Individuals and families will be prepared to exist on personal stocks of survival items in homes and shelter areas for two weeks following attack.

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[1] See Annex 2, INDIVIDUAL ACTION.

(b) State and local

Cities, counties and States will be prepared to exist on consumer items and essential equipment immediately available to their respective jurisdictions for a minimum of four weeks following attack.

(c) Federal[1]

The Federal Government will be prepared to assist the States, political subdivisions and individuals as soon as possible following attack after meeting military and other essential federal requirements. Federal stockpiles and other resources available to the Federal Government for survival purposes will be planned for allocation to States on the basis of need, after the fourth week following attack. To the extent permitted by the situation, the Federal Government will continue or institute controls necessary to the management of all essential resources in the national interest.

(2) General procedures[2]

(a) Local

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[1] See Annex 6, FEDERAL EMERGENCY PROCEDURES.

[2] For detailed procedures for the emergency administration of specific resources see Annex 31, NATIONAL MANPOWER PLAN; Annex 32, NATIONAL FOOD PLAN; Annex 33, NATIONAL WATER PLAN; Annex 34, NATIONAL ENERGY AND MINERALS PLAN and Annex 35, NATIONAL TRANSPORTATION PLAN.

[1] Commercial stocks in the hands of retailers will automatically be available to local governments to supplement local stockpiles. Wholesaler and manufacturer inventories and state and federal stockpiles will be utilized by local governments on the basis of prearranged plans endorsed by the state and federal government agencies concerned. Plans for requisitioning will include reimbursement provisions.

[2] A soon as possible following attack, local governments will provide for accumulation, control and distribution of goods and services essential to the maintenance of life and property and preservation of government.

[3] When local resources (including those made available at nearby support communities) are exhausted or will not meet the need, requests of local governments for assistance will be made to the State. Requests by local governments to federal agencies for assistance will be made only under prearranged plans approved by the State and by the OCDM Regional Director.

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(b) State

[1] As soon as possible after attack, the State will exercise general coordination and direction

over resources within its borders except where, in accordance with prearranged state and national plans, such resources have been specifically reserved for control by appropriate federal agencies. On the basis of relative needs, determined according to established standards, the State will fill local requests for assistance from resources under state control, including stockpiled materials, or available from other States.

[2] Each State will keep the OCDM Regional Director informed of critical resources committed within the State or across the state lines and of resources in excess of the State's needs. The Regional Director will provide resource information to field installations of appropriate federal agencies. The commitment of resources will be as follows:

[a] Within an intrastate mutual aid perimeter, automatically to an attacked area or on request of the attacked city

[b] Within an attacked State, other than the above situation, upon the order of the State

[c] Across any state line, upon the basis of prearranged plans coordinated by the Regional Director or upon request to and direction from him.

[3] Requests for support will be made to the OCDM Regional Director when required resources are not available within the State.

[4] The OCDM Regional Director will, when required as a matter of national interest, direct the States to modify or suspend prearranged plans for movement orders to provide for the release of uncommitted resources within an attacked State when there is a greater need in another State or for the holding and reconsignment of support forces mobilized or under movement in nonattacked States.

(c) Federal[1]

[1] Subject to the above procedures for state and local action, OCDM will control goods and services available for civilian use and the distribution of goods required to meet essential consumer requirements. State and local governments may be utilized to exercise, as agents of the Federal Government, authority over inventories of designated kinds of goods in the hands of certain industries and wholesalers.

[2] The heads of federal departments and agencies having normal jurisdiction over

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[1] See Annex 6, FEDERAL EMERGENCY PROCEDURES, and Annex 30, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

resources not previously assigned to emergency activities of the Federal Government will cause such classes of these resources, as specified from time to time by OCDM, to be

[a] Inventoried, classified and reported to the Director

[b] Made available for assignment to federal emergency activities

[c] Made available, in the case of field establishments, to the governments of States in which they are located, unless required for an immediate mission of the federal establishment or where commitment will impair the national interest. States will be advised preemergency as to the probable availability of these resources.

b. Facilities[1]

(1) Local

Local officials will identify those public facilities (such as radio stations, roads, sewerage systems and airports) and utilities (such as water, electric power and gas) essential to the continued life of the community. They will direct, through appropriate departments of local governments, repair and restoration of vital public facilities and utilities and the order in which essential needs for local service should be met. If locally available materials or manpower are inadequate for such needs, mutual assistance arrangements with other local governments will be invoked. Utility systems will make known mutual assistance arrangements to the government entities concerned. Such arrangements will be invoked to furnish service for essential needs. Requests for federal assistance will be made through the State unless other arrangements approved by the State exist.

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[1] See Annex 36, EMERGENCY ADMINISTRATION OF ESSENTIAL FACILITIES; Annex 34, NATIONAL ENERGY AND MINERALS PLAN and Annex 35, NATIONAL TRANSPORTATION PLAN.

(2) State

State governments will assist the local governments in the repair and restoration of public facilities essential to statewide emergency activities and allocate available utility service within the State where conflicts between localities in the use of the service arise. The State will modify its regulations on utility operations to the extent necessary to facilitate restoration of service within the State and in other States.

(3) Federal

The Federal Government will

(a) Identify those resources, including industrial facilities, utilities and services essential to the maintenance and operation of the national economy.

(b) Allocate such resources where necessary

(c) Resolve conflicts so that the most essential national requirements will be met

(d) Exercise priorities and allocation and requisitioning authority in order to expedite and direct the flow of such resources to meet national requirements

(e) Take necessary actions (such as ordering interconnection of utility systems) to assure maximum effectiveness in use of interstate resources

(f) In areas where the Federal Government has equipment and trained manpower which would be useful in restoration of public facilities and utilities, make such resources available if they are not needed for duties of equal or greater essentiality.

VI. SUPPORTING FUNCTIONS

A. Research and Development [1]

1. The Federal Government will fund, maintain and support a complete and coordinated research and development program to determine optimum methods, materiel and facilities for the civil defense and defense mobilization of the United States. The program will be coordinated by OCDM.

2. This program will include but not be limited to subject matter on weapons effects (including sociological and psychological effects); passive defense techniques; operational systems for identifying, computing and transmitting operational data; resource data accumulation, analysis and use, and equipment design and use.

3. Financial contributions to States for the conduct of programs of applied research on problems unique to their jurisdiction or to those of their political subdivisions will be provided if adequately justified.

B. Training and Education [2]

OCDM will stimulate and conduct, when necessary, programs of civil defense and defense mobilization training and education. Contributions to the States and their political subdivisions for training and education activities will be made available. The objectives of these programs are

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[1] See Annex 37, RESEARCH AND DEVELOPMENT.

[2] See Annex 38, TRAINING AND EDUCATION.

1. To assist governments at all levels to obtain operational readiness in emergency

2. To provide every person with information and instruction essential for survival and recovery.

C. Federal Assistance [1]

The Federal Government will furnish such technical, financial and material assistance to States and their political subdivisions and to private organizations as is permitted by law and is necessary for the civil defense and defense mobilization of the United States. This includes but is not limited to

1. Use of technical personnel
2. Grants-in-aid, loans and tax benefits
3. Transfer of surplus property.

D. Review, Tests and Inspection [2]

1. Civil defense and defense mobilization plans of federal departments and agencies, those state and local plans financed

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[1] See Annex 39, FEDERAL ASSISTANCE.
[2] See Annex 40, REVIEW, TESTS AND INSPECTION.

in whole or in part by the Federal Government, and programs based on such plans will be continually reviewed by the Director for adequacy and for conformance with this national plan.

2. The Director will arrange and supervise, as he deems advisable, tests and exercises for purposes of evaluating and improving civil defense and defense mobilization readiness.

3. The Director will determine standards of maintenance and use and will supervise inspection of civil defense and defense mobilization equipment and facilities financed in whole or in part by the Federal Government.

E. Maintenance of the National Plan

The Director will provide for continual review of the National Plan for Civil Defense and Defense Mobilization, revise it as necessary to assure that it is complete, accurate and current at all times and require such reports as will keep him advised on progress and program status. Any proposals for changes in the plan should be submitted to the Director.

GLOSSARY OF TERMS

BIOLOGICAL WARFARE AGENTS -- Living organisms or their products capable of causing death, disability or damage to man, animals and crops.

CHEMICAL WARFARE AGENTS -- Chemicals in the form of solids, liquids or gases capable of causing death, disability or damage.

CIVIL DEFENSE -- Activities and measures designed or undertaken (1) to minimize the effects upon the civilian population caused or which would be caused by an attack upon the United States or by a natural disaster, (2) to deal with the immediate emergency conditions which would be created by any such attack or disaster and (3) to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by any such attack or disaster.

CONELRAD -- A plan to deprive the enemy of electromagnetic radiation as an aircraft navigational aid without depriving the public of standard broadcast radio as a source of news and instruction. This system permits emergency broadcasting on 640 or 1240 kilocycles in areas served by standard broadcast stations authorized to operate during the CONELRAD (Radio Alert) period.

DECONTAMINATION -- The reduction or removal of contaminating radioactive material from a structure, area, object or person.

DEFENSE MOBILIZATION -- The employment of government and the national economy for meeting essential civilian and military requirements.

DIRECTOR -- Director of the Office of Civil and Defense Mobilization, Executive Office of the President.

FALLOUT -- The return to the earth's surface of particles made radioactive and thrown into the air by a nuclear explosion. The term also applies to the contaminated particles themselves.

FEDERAL AGENCY FIELD ESTABLISHMENTS -- Offices, installations or representatives of the Federal Executive Branch of Government (including those normally under the direction of but not necessarily a formal part of the Executive Branch) not located at the seat of government or constituting or designated as a National Headquarters.

HARDENING -- Reducing the vulnerability of a structure, device or system by strengthening its material components or otherwise increasing its physical protection against deliberate, accidental or natural damage or wear.

INTERSTATE COMPACTS -- Agreement between two or more States to commit supplies, materials, equipment, or forces to each other to alleviate the effects of attack.

INTERSTATE MUTUAL AID PERIMETER -- Boundaries of a geographical area agreed upon by the State and between two or more political subdivisions within the State for purposes of planning for the exchange of supplies, materials, equipment or forces to each other to alleviate the effects of attack.

MONITORING -- The procedure or operation of locating and measuring radioactive contamination by means of survey instruments which can detect and measure (as dose rates) ionizing radiations. The individual performing the operation is called a monitor.

POLITICAL SUBDIVISIONS -- Any county, city, town or other local government of any State, Territory or Possession of the United States.

RADIOLOGICAL CONTAMINATION -- The deposit of radioactive material on the surfaces of structures, areas, objects or persons following a nuclear explosion. This material generally consists of radioactive fallout in which fission products and other bomb debris have become incorporated with particles of dirt, etc.

REGIONAL DIRECTOR -- Director of one of the regional offices of the Office of Civil and Defense Mobilization.

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CP - 58-85/1

October 24, 1958

The White House
Washington

THE CABINET

The National Plan for Civil Defense and Defense Mobilization

The attached approved paper is circulated for the information and action of the departments concerned.

This document, which has been revised slightly following the Cabinet meeting of September 26, 1958, has been approved by the President and the appropriate consultations have been completed to the President's satisfaction (Cabinet Record of Action 58-117, Item 1).

The attached document is being distributed widely throughout the country; only this cover page is privileged.

In addition to the National Plan, there is also attached a copy of Annex 41: the Summary of Annexes. As they are prepared, these Annexes will be handled in the manner suggested at Cabinet (RA - 58-117, Item 1(c)).

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

THE NATIONAL PLAN
for
Civil Defense and Defense Mobilization

Executive Office of the President
OFFICE OF DEFENSE AND CIVILIAN MOBILIZATION

October 1958

Promulgation

It is the clear and unequivocal position of the United States that conflict and disagreement among nations should not be resolved by the use of force. The United States will continue through all available channels to attempt resolution of disagreements by all means that will allow peace with honor. Nevertheless, so long as direct or indirect aggression is used as an instrument of national policy by any nation, common prudence requires that every effort be made to protect the people of the United States by both active and passive means of defense.

Civil Defense and Defense Mobilization are vital parts of the Nation's total defense.

The National Plan for Civil Defense and Defense Mobilization is promulgated in accordance with the provisions of Reorganization Plan No. 1 of 1958, other applicable laws and executive orders.

The Director, Office of Civil and Defense Mobilization, shall manage and direct the civil defense and defense mobilization programs of the United States.

Agencies of the Executive Branch of the Federal Government shall plan, prepare and undertake actions for the execution of this Plan as assigned by the Director.

Periodic testing of plans and programs developed in conformance with this Plan shall be conducted and reports on readiness conditions shall be submitted to the Director.

Dwight D. Eisenhower

President

Preface

This Plan establishes national nonmilitary courses of action and the role of the Federal Government, the States, their political subdivisions and the people to deter aggression, and in the event of aggression to enable the Nation to survive, recover and win.[1]

The Plan anticipates three principal contingencies:

1. **International tension,** but not of such extreme nature as to require the invocation of full emergency authorities

2. **Limited war,** defined as a situation in which United States forces are engaged overseas, but in which there is no immediate expectation of nuclear attack on the continental United States

3. **General war,** including massive nuclear attack.

It is designed to be flexible and adaptable to changes in international relations, techniques and materiel of warfare and to other pertinent factors.

The National Plan is a statement of principles, responsibilities, requirements and broad courses of action, supported and amplified by annexes. While other documents concerning civil defense and defense mobilization will be issued as necessary, each will be subordinate to and compatible with this Plan.

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[1] For courses of action to meet conditions arising from major natural disasters, see Annex 40, NATURAL DISASTER MANUAL.

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THE NATIONAL PLAN

for Civil Defense and Defense Mobilization

I. Planning Basis [1]

Three contingencies most directly affecting civil defense and defense mobilization are international tension, limited war and general war.

A. International Tension

It is assumed that periods of extreme international tension may occur. In such cases, when the President or the Congress finds that the national security demands the invocation of extraordinary authority for civil defense programs short of the declaration of a civil defense emergency, civil defense, and defense mobilization measures would be accelerated.

B. Limited War

It is assumed that limited wars may occur in various parts of the world. Depending on size of forces involved, duration of hostilities, kinds of weapons used and degree of U. S. involvement, such limited wars may require degrees of mobilization of U. S. resources, production and manpower, and acceleration of U. S. nonmilitary defense as a matter of prudence.

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[1] See Annex 1, PLANNING BASIS.

C. General War

It is assumed, in the absence of international agreement, that weapons employed in an attack against the United States would be predominantly of multimegaton yield. The use of biological and chemical agents is possible. Delivery systems in the next few years would be predominantly man-operated, with a resulting probable maximum tactical warning of initial attack of three hours for the Nation as a whole; thereafter, delivery systems would be predominantly unmanned, with maximum tactical warning of initial attack reduced to one-half hour for the Nation as a whole. AT ANY TIME DURING THIS PERIOD, ATTACK COULD COME WITH NO TACTICAL WARNING.

Strategic warning is a possibility.

II. Mission

The national defense objective is to deter either limited or general war or, if deterrence fails, to prosecute the war successfully and recover from it.

Within this objective, and as an integral part of the total defense of the Nation, the mission of civil defense and defense mobilization is

1. Protection of life and property by preparing for and by carrying out nonmilitary functions to prevent, minimize, repair and recover from injury and damage.

2. Mobilization and management of resources and production.

III. Responsibilities

All citizens and governments at all levels, by virtue of their inherent obligation to support the common defense, are jointly responsible for the civil defense and defense mobilization of the Nation.

A. Federal Government

The Federal Government is responsible for direction and coordination of the total national effort.

B. State Governments

The government of each State is responsible for the direction and coordination of the civil defense and defense mobilization activities of the State and its political subdivisions.

C. Local Governments

The government of each political subdivision is responsible for the direction and coordination of the civil defense and defense mobilization activities of that subdivision.

D. Industry

The leaders of industry, agriculture, labor and financial institutions are responsible, in cooperation with appropriate government agencies, for planning and executing measures designed to assure the continued functioning, or rapid restoration to functioning, of the essential elements of the national economy.

E. The Public

Individuals and families are responsible for sustaining themselves in an emergency and for contributing to the general survival and recovery effort.[2] Professional, labor, service, religious, civic and social organizations are responsible for making such contributions to the preparation for and assurance of national, State or community survival as may be possible.

IV. Organization[3]

A. Federal[4]

1. The Director commands the Office of Civil and Defense Mobilization (OCDM) and, acting for the President, coordinates and directs the civil defense and defense mobilization activities of the Federal Government.
2. The head of each Federal department and agency, coordinated by the Director, OCDM, plans and conducts such civil defense and defense mobilization activities as are inherent in its normal responsibilities, or as may be assigned by the Director, OCDM.[5] All agencies having resources or competence related to civil defense and defense mobilization programs assist the agencies having primary responsibilities.

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[2] See Annex 2, INDIVIDUAL ACTION.

[3] See Annex 3, ORGANIZATION FOR CIVIL DEFENSE AND DEFENSE MOBILIZATION.

[4] See Annex 4, AUTHORITIES FOR CIVIL DEFENSE AND DEFENSE MOBILIZATION.

[5] See Annex 5, FEDERAL DELEGATIONS AND ASSIGNMENTS, and Annex 6, FEDERAL EMERGENCY PROCEDURES.

3. The field organization of OCDM is composed of regional offices, each commanded by a Regional Director, who in his region acts for the Director.
4. The Regional Director, OCDM, coordinates and, in appropriate circumstances, directs the civil defense and defense mobilization activities of Federal agency field establishments within his region.
5. The Regional Director coordinates the civil defense and defense mobilization activities of the States in his region. At the request of the State government, or in event the State government is unable to act, the Regional Director will direct such State activities. Field establishments of other Federal agencies maintain technical liaison with State and local counterparts, under arrangements approved by the Regional Director and the State concerned.
6. Military Support.[6]

B. State and Local

1. The chief executives of State and local governments direct the civil defense and defense mobilization activities within their jurisdiction. With the assistance of their civil defense staffs, the chief executives will direct the performance of emergency functions within the regularly constituted government structure, augmenting it where needed.
2. States and localities are organized for civil defense and defense mobilization as prescribed by their governments, except that where States are charged

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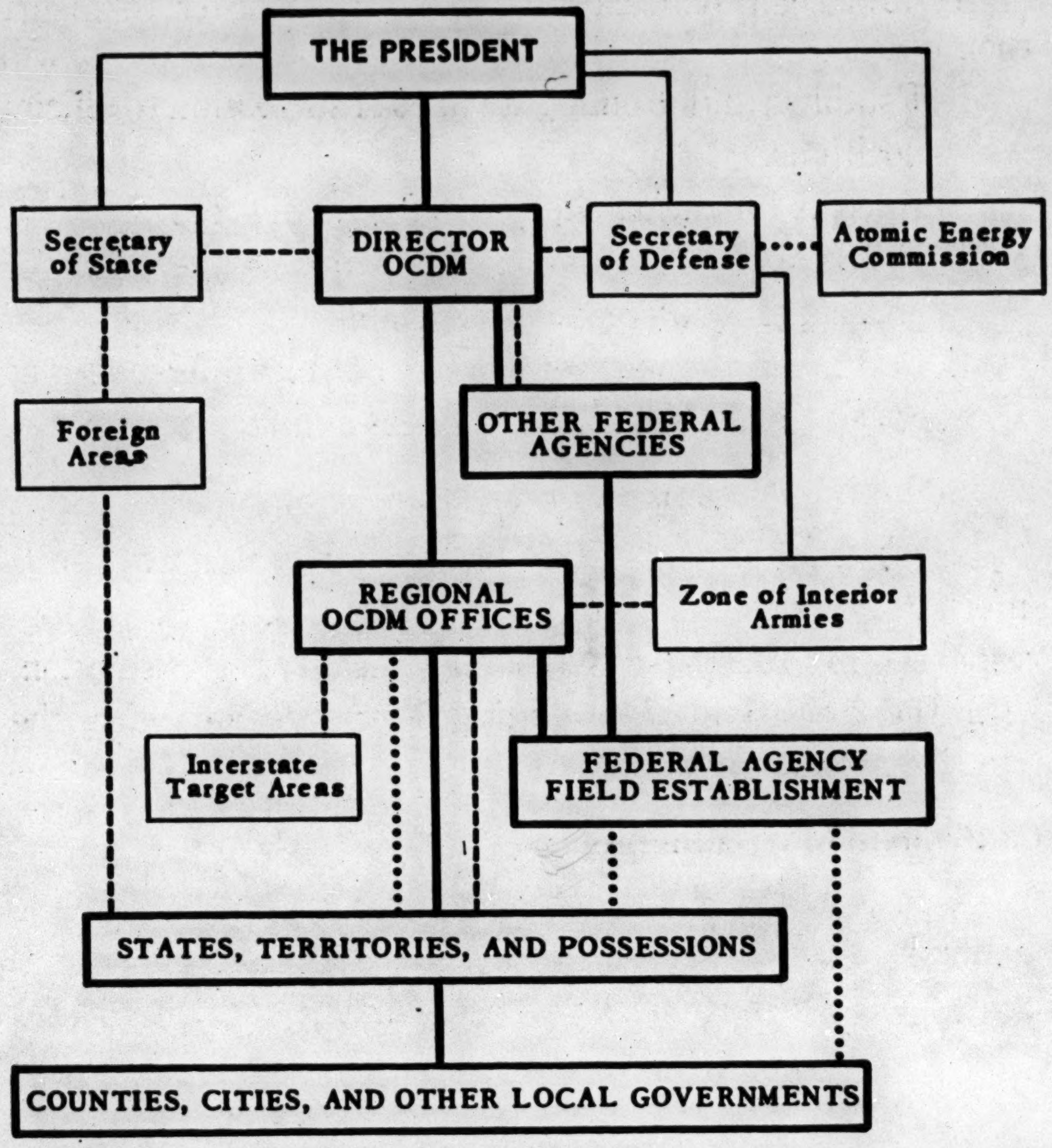
[6] See Annex 7, ROLE OF THE MILITARY.

with, and agree to carry out, responsibilities delegated by the Federal Government, the State and local organizations will conform to requirements prescribed by the Director.

C. Channel of Coordination

The civil defense and defense mobilization channel of coordination is established, down which will be transmitted instructions and up which requests for assistance will be made.


THE PRESIDENT
Secretary of State
DIRECTOR OCDM
Secretary of Defense
Atomic Energy Commission
Foreign Areas
OTHER FEDERAL AGENCIES
REGIONAL OCDM OFFICES
Zone of Interior Armies
Interstate Target Areas
FEDERAL AGENCY FIELD ESTABLISHMENT
STATES, TERRITORIES, AND POSSESSIONS
COUNTIES, CITIES, AND OTHER LOCAL GOVERNMENTS

Key: ——Direction ----Coordination ••••••Technical Liaison

V. Functions for Protection of Life and Property

A. Continuity of Government [7]

The Federal Government and the governments of the States and their political subdivisions, in order to insure their continuity in the event of attack or other disaster, will

1. Establish and promulgate lines of succession to official positions.
2. Provide for the safekeeping of essential records.
3. Establish control centers and alternative sites for government emergency operations.
4. Provide for the protection and maximum use of government personnel, resources and facilities.

B. Public Information and Education

Each government will conduct programs of public information and education on attack effects and proper responses for the persons residing within its jurisdiction, with the objective of providing every person with the knowledge essential for survival.[8]

C. Reduction of Vulnerability

Consistent with resources available or to be made available, and in conformity with established national policy, each government will supplement individual and family preparations by planning and executing programs related to

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[7] See Annex 8, PREPARATIONS FOR CONTINUITY OF GOVERNMENT.

[8] See Annex 9, PUBLIC INFORMATION.

1. Public shelters and protective devices.[9]
2. Hardening, dispersal and duplication of essential production, distribution and service facilities.[10]
3. Controlled movement of people and materials, the development of reception areas for evacuees and homeless persons, and stockpiling of survival needs in or near these areas.[11]

D. Warning of Attack[12]

1. **Source.** The primary source of attack warning is the North American Air Defense Command. (OCDM Attack Warning Officers are stationed at NORAD installations to receive and relay warning information.)
2. **Dissemination.**
   a. The Federal Government will provide attack warning information to all States and, in accordance with Federal-State arrangements, directly to political subdivisions on the National Warning System.

   b. State and local governments, with the financial and technical assistance of the Federal Government, will provide for the dissemination of attack warning to the public.

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[9] See Annex 10, NATIONAL SHELTER PLAN.

[10] See Annex 11, PROTECTION OF ESSENTIAL FACILITIES.

[11] See Annex 12, CONTROLLED MOVEMENT.

[12] See Annex 13, WARNING.

3. Action on Warning.

a. Governments and the public will take such action on receipt of warning as is prescribed by the government involved.

   (1) Evacuation or dispersal[13]—Target cities and other areas near assumed targets will, if time and conditions permit, execute plans for evacuation or dispersal to prepared reception areas.

   (2) Shelter[14]—If time and conditions do not permit evacuation, full advantage will be taken of existing shelter, and fallout protection will be improvised.

   (3) THE ACTION TO BE TAKEN IS A LOCAL DECISION.

b. Where outdoor warning signals are used to warn the public, they will consist only of

   (1) The "**ALERT**" signal—A 3 to 5-minute steady blast or tone, meaning "attack is probable—take action as directed by local governments."

   (2) The "**TAKE COVER**" signal—A 3-minute warbling tone or a series of short blasts meaning "attack is imminent—take cover immediately in the best available shelter."

E. Preparations for Damage Assessment[15]

Each government will design, construct and maintain in operating condition systems capable of providing rapid and reasonably accurate estimates of

1. The anticipated and existing location and degree of attack effects, especially radiological contamination.

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[13] See Annex 12, CONTROLLED MOVEMENT.

[14] See Annex 10, NATIONAL SHELTER PLAN.

[15] See Annex 14, DAMAGE ASSESSMENT.

2. What has survived the attack and is useful for recovery.

F. Communications[16]

1. Operational Communications

a. National communications system—The Federal Government will maintain at all times, reasonably secure from attack effects, communications
   (1) Within and among Federal agencies having emergency responsibilities and
   (2) Between the Federal Government and the States.

b. State and local communications—State governments will maintain at all times, reasonably secure from attack effects, for their emergency operations, communications
   (1) Among State agencies having emergency responsibilities and
   (2) Between State governments and their political subdivisions.

Local governments will maintain communications for their emergency operations.

The Radio Amateur Civil Emergency Services (RACES) will provide essential communications for regional, State and local use to augment normal communications or to substitute for them if necessary. (RACES will comply with Federal Communications Commission regulations governing CONELRAD.)

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[16] See Annex 15, COMMUNICATIONS.

2. Communications With the Public

a. Emergency means—As the situation permits, and subject to emergency powers of the Director, all existing means of communications not required to support military operations will be used (in accordance with Conelrad regulations).

   (1) **Pre-Conelrad**—Prior to the invocation of Conelrad, civil authorities will use all broadcasting facilities—AM and FM radio and television and all emergency means—to give emergency instructions and information.

   (2) **Conelrad**—The Commander of NORAD is responsible for ordering the radio alert which puts the Conelrad plan into effect.

As soon as possible, the participating AM stations will return to the air on the approved maximum power and broadcast vital information and instructions to the public on the Conelrad frequencies of 640 or 1240 kilocycles. FM and TV stations will remain off the air for the duration of the radio alert.

   (3) **Post-Conelrad**—After the Conelrad radio alert has been terminated by the NORAD Commander, civil authorities will use all surviving civilian-owned means of broadcasting, calling on military communications support if necessary.

b. Priorities of use in emergency—Instructions and information relating to measures to support military operations and to save life have priority over all other information and instructions.

G. Maintenance of Government, Law and Order [17]

1. State and Local

a. Local government is the basic entity responsible for the emergency maintenance of law and order.

b. State law enforcement forces will support local police services in emergency as the situation allows. States will exercise general control and provide services in areas where the local government is unable to act. Requests for additional police support will not be made to the Federal Government until State and local police are, or are expected to be, inadequate to cope with the situation.

2. Federal

a. Upon request of the State government, or in event the State government is unable to act, the Federal Government will assume and exercise all necessary government functions during an emergency in areas where it is determined that government organizations have been rendered incapable of performing vital functions.

b. Upon request, the Secretary of Defense will provide emergency military aid to the civil authority to assist in the maintenance of law and order, to the extent that such commitment will not interfere with the conduct of primary military missions.[18]

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[17] See Annex 16, MAINTENANCE OF LAW AND ORDER.

[18] See Annex 7, ROLE OF THE MILITARY.

c. Federal agencies having responsibilities for performing, or assisting in the performance of, State and local government functions will be familiar with relevant State and local plans.

H. Disaster Services[19]

1. General

States and their political subdivisions, with the financial and technical assistance of the Federal Government, will accumulate necessary supplies and equipment and recruit and train personnel in disaster services. The Federal Government will acquire and store limited quantities of supplies and equipment for disaster service operations as a general reserve. Disaster services include, but are not limited to,

a. Casualty care and emergency public health[20]
b. Emergency welfare services[21]
c. Rescue
d. Debris clearance
e. Fire protection[22]
f. Decontamination[23]

2. Emergency Procedures

a. State and local

(1) Local governments will direct the movement of populations away from danger areas, commit disaster forces under their control as required by

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[19] See Annex 17, DISASTER SERVICES.

[20] See Annex 18, NATIONAL MEDICAL AND HEALTH PLAN.

[21] See Annex 19, MASS CARE AND ASSISTANCE, and Annex 20, REGISTRATION AND INFORMATION.

[22] See Annex 21, NATIONAL FIRE PROTECTION PLAN.

[23] See Annex 23, NATIONAL RADIOLOGICAL DEFENSE PLAN.

the situation, evaluate their capabilities and notify the State of deficiencies or excess capabilities. In accordance with prearranged State and national plans, notification may also be made to the field offices of appropriate Federal agencies. Due consideration will be given to the continuing requirements for disaster services in emergency commitment actions.

(2) The State, in turn, will evaluate the total situation within the State, direct the movement of populations away from the danger areas and commit State disaster forces, including those made available by invocation of interstate compacts, as indicated by the situation.

(3) Field offices of appropriate Federal agencies will assist the States in providing disaster services. States will also use, where appropriate, resources of non-governmental organizations such as the American National Red Cross, the American Medical Association and the American Hospital Association.

(4) When State capabilities are deficient, requests for needed support will be made to the OCDM Regional Director. Capabilities excess to the needs of the States will also be reported to the Regional Director when requested. Where prearranged State and national plans exist, requests for support and reports of excess capabilities may be made to field establishments of appropriate Federal agencies.

b. Federal

Federal disaster service capabilities will be made available to augment State and local resources as soon as possible when not required for emergency activities of the Federal Government. An appropriate portion of the total of Federal disaster services materiel will be committed only for reestablishment of a minimum level of regular community disaster capability for the surviving population.

I. Emergency Protection from Delayed or Unconventional Weapons Effects

1. Clandestine and Unexploded Ordnance.[34]

a. State and local—State and local forces will conduct reconnaissance for unexploded ordnance within their jurisdictions and report the existence of such ordnance to the closest Department of Defense Explosive Ordnance Disposal Unit or Z. I. Army Commander through the OCDM Regional Director. State and local authorities will provide for restriction of areas and protection of persons from such ordnance, including execution of plans for evacuation to safer areas, until arrival of the responsible explosive ordnance personnel. State and local authorities will assist such personnel when requested.

b. Federal—The Federal Bureau of Investigation will investigate reported incidents of clandestinely-introduced weapons. The Department of Defense, through its Explosive Ordnance Disposal Units, will disarm atomic weapons and dispose of other unexploded weapons. The Atomic Energy Commission will take custody and dispose of fissionable materials of unexploded ordnance.

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[34] See Annex 22, CLANDESTINE AND UNEXPLODED ORDNANCE DEFENSE.

2. Radiation [25]

a. State and local

Local authorities will monitor the areas for radiological contamination, identify the degree and location of the radiological hazards, report such hazards to the public and to the State and, if conditions require, execute plans for evacuation to safer areas. States will monitor, accumulate data on, evaluate and summarize the total radiological situation in the State, advise the general public of the State and inform the OCDM Regional Director.

b. Federal

OCDM will direct the Federal radiological program.

The Weather Bureau, Department of Commerce, under the general direction and coordination of the Director, will make fallout forecasts available to State and local governments. All Federal agencies having requisite capabilities will monitor radiation levels and furnish data to civil defense agencies—Federal, State and local—as required.

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[25] See Annex 23, NATIONAL RADIOLOGICAL DEFENSE PLAN.

3. Biological and Chemical Agents [26]

a. State and local—State and local governments will detect, identify and control chemical and biological warfare agents within their jurisdiction, advise the public, report the situation to other governments and, if conditions require, execute plans for evacuation to safer areas.

b. Federal—Under the direction and coordination of OCDM, the Department of Health, Education and Welfare will direct Federal activities concerned with the nonmilitary detection, identification and control of chemical and biological warfare against humans. The Department of Agriculture will direct Federal nonmilitary activities concerned with chemical and biological warfare against animals and crops.

VI. Functions for Mobilization and Management of Resources and Production

Most resource mobilization and management functions listed below are normally Federal responsibilities, although under conditions of a devastating attack the States would have to assume responsibility for resource management until effective Federal authority could be restored. The Federal Government will establish criteria for resource use and management in the interest of national equity.

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[26] See Annex 24, NATIONAL BIOLOGICAL AND CHEMICAL WARFARE DEFENSE PLAN.

A. Development and Maintenance of Essential Resources [27]

1. The Federal Government is responsible for determining and, under appropriate circumstances, taking steps to assure the existence and availability of resources necessary for expanding, maintaining or restoring production and distribution processes essential to civil defense and defense mobilization. Such resources will consist of raw materials, finished goods, facilities, essential services and manpower required for the production and distribution of
   - a. Military materiel
   - b. Atomic weapons, materials, and equipment
   - c. Domestic needs for capital and consumer goods and services
   - d. Assistance to foreign areas
2. The Federal Government will stimulate the development and maintenance of reserves of such essential resources through programs for
   - a. Increasing inventories of such resources by State and local governments, private industry and individuals
   - b. Maintaining Federal stockpiles of such resources, to the extent needed to supplement other inventories, in forms and at places most suitable to ultimate use
   - c. Preallocating emergency production and distribution contracts to insure, wherever practicable, sufficient indications of government intent

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[27] See Annex 25, MAINTENANCE OF ESSENTIAL RESOURCES.

d. Developing substitutes for essential resources unavailable from domestic sources

e. Developing original domestic sources for essential resources

f. Expanding existing productive capacity and the production and supply of materials and facilities essential to production and distribution

g. Controlling exports to, and imports from, foreign areas.

B. Reserves of Consumer End Products

The Federal Government will determine and, in appropriate circumstances, take measures to accumulate, store and assure the availability of essential consumer end products expected to be temporarily unavailable in sufficient quantity from existing private and commercial stocks or from new production.

C. Protection of the National Industrial Plant [28]

The Federal Government will contribute to the reduction of the vulnerability of the national industrial plant to overt or covert enemy action through programs for

1. Physical protection, including dispersal of industrial facilities (see also Part V., C.)
2. Continuity of industrial management during emergency
3. Maintaining multiple sources of supply for mobilization requirements
4. Stimulating voluntary agreements among industries and industry members to provide for expeditious

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[28] See Annex 26, PROTECTION AND CONTINUITY OF THE NATIONAL INDUSTRIAL PLANT.

combinations or exchanges of resources during emergency.

D. Preparations for Resource Mobilization and Management[29]

1. In accordance with the nature and degree of various possible emergency conditions, the Federal Government will continuously assess the ability of the national economy to meet all requirements stated under VI. A. 1., will develop programs for emergency control of the economy, and will prescribe the emergency roles and responsibilities of State and local governments, private industries and the individual.
2. Programs for preparing to control the national economy will include, but not be limited to,
   a. Money and credit, and the entire financial system, with the objective of optimum support of mobilization, survival and recovery[30]
   b. Production, with the objective of optimum use of the national industrial plant[31]
   c. Distribution,[32] with the objective of
      (1) Meeting emergency requirements with available supplies
      (2) Facilitating national recovery
   d. Consumption, with the objective of conserving available supplies and applying them in the

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[29] See Annex 27, EMERGENCY FINANCIAL CONTROLS; Annex 28, MANAGEMENT OF EMERGENCY PRODUCTION, and Annex 29, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

[30] See Annex 27, EMERGENCY FINANCIAL CONTROLS.

[31] See Annex 28, MANAGEMENT OF EMERGENCY PRODUCTION.

[32] See Annex 29, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

manner best designed to achieve national survival and recovery.[33]

E. Exercise of Authorities and Controls [34]

1. The Director, as directed by the President, will exercise authorities and controls necessary to obtain required goods and services to stabilize the economy. Such authorities and controls will be planned to meet various contingencies such as the circumstances incident to attack or the declaration of a limited, national or civil defense emergency.
2. Economic control will require the use of such measures as will be effective under the terms and conditions of emergency. Such measures will include, but not be limited to,
    a. Continuation, alteration or cessation of government or private activities concerned with, or incident to, operation of the economy
    b. Construction or modification of facilities
    c. Allocation of goods and services, including the rationing of consumer items
    d. Requisition or condemnation of real and personal property
    e. Prohibition against the unwarranted accumulation, conversion or use of real and personal property

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[33] See Annex 29, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

[34] See Annex 27, EMERGENCY FINANCIAL CONTROLS; Annex 28, MANAGEMENT OF EMERGENCY PRODUCTION, and Annex 29, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

f. Freezing, controlling or specifying wages, salaries, rents and prices

g. Effective use of scarce skills

F. Management of Resources After Attack on the Continental United States

1. Responsibilities

a. Public [35]—Individuals and families will be prepared to exist on personal stocks of survival items in homes and shelter areas for **two weeks** following attack.

b. State and local—Cities, counties and States will be prepared to exist on consumer items and essential equipment immediately available to their respective jurisdictions for a minimum of **four weeks** following attack.

c. Federal [36]—The Federal Government will be prepared to assist the States, political subdivisions and individuals as soon as possible following attack after meeting military and other essential Federal requirements. Federal stockpiles and other resources available to the Federal Government for survival purposes will be planned for allocation to States on the basis of need, after the fourth week following attack. To the extent permitted by the situation, the Federal Government will continue to institute controls necessary to the management of all essential resources in the national interest.

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[35] See Annex 2, INDIVIDUAL ACTION.

[36] See Annex 6, FEDERAL EMERGENCY PROCEDURES.

2. General Procedures [37]

a. Local

(1) Commercial stocks in the hands of retailers will automatically be available to local governments to supplement local stockpiles. Wholesaler and manufacturer inventories and State and Federal stockpiles will be utilized by local governments on the basis of prearranged plans endorsed by the State and Federal Government agencies concerned. Plans for requisitioning will include reimbursement provisions.

(2) As soon as possible following attack, local governments will provide for accumulation, control and distribution of goods and services essential to the maintenance of life and property and preservation of government.

(3) When local resources (including those made available at nearby support communities) are exhausted, or will not meet the need, requests of local governments for assistance will be made to the State. Requests by local governments to Federal agencies for assistance will be made only under prearranged plans approved by the State and by the OCDM Regional Director.

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[37] For detailed procedures for the emergency administration of specific resources see Annex 30, NATIONAL MANPOWER PLAN; Annex 31, NATIONAL FOOD PLAN; Annex 32, NATIONAL WATER PLAN; Annex 33, NATIONAL ENERGY AND MINERALS PLAN, and Annex 34, NATIONAL TRANSPORTATION PLAN.

b. State

(1) As soon as possible after attack, the State will exercise general coordination and direction over resources within its borders except where, in accordance with prearranged State and national plans, such resources have been specifically reserved for control by appropriate Federal agencies. On the basis of relative needs, determined according to established standards, the State will fill local requests for assistance from resources under State control, including stockpiled materials, or those available from other States.

(2) Each State will keep the OCDM Regional Director informed of critical resources committed within the State or across the State lines and of resources in excess of the State's needs. The Regional Director will provide resource information to field installations of appropriate Federal agencies. The commitment of resources will be as follows:

   (a) Within an intrastate mutual-aid perimeter, automatically to an attacked area or on request of attacked city

   (b) Within an attacked State, other than the above situation, upon the order of the State

   (c) Across any state line, upon the basis of prearranged plans coordinated by the

Regional Director or upon request to and direction from him.

(3) Requests for support will be made to the OCDM Regional Director when required resources are not available within the State or from appropriate Federal agencies in accordance with prearranged plans.

(4) The OCDM Regional Director will, when required as a matter of national interest, direct the States to modify or suspend prearranged plans in order to provide for the release and/or reconsignment of resources.

c. Federal [38]

(1) Subject to the above procedures for State and local action, OCDM, through the appropriate Federal agencies, will control goods and services available for civilian use and the distribution of goods required to meet essential consumer requirements. State and local governments may be utilized to exercise, as agents of the Federal Government, authority over inventories of designated kinds of goods in the hands of certain industries and wholesalers.

(2) The heads of Federal departments and agencies having normal jurisdiction over resources not previously assigned to emergency activities of the Federal Government will cause

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[38] See Annex 6, FEDERAL EMERGENCY PROCEDURES, and Annex 29, EMERGENCY DISTRIBUTION AND CONSUMPTION CONTROLS.

such classes of these resources, as specified from time to time by OCDM, to be

(a) Inventoried, classified and reported to the Director

(b) Made available for assignment to Federal emergency activities

(c) Made available, in the case of field establishments, to the governments of States in which they are located, unless required for an immediate mission of the Federal establishment or where commitment will impair the national interest. States will be advised preemergency as to the probable availability of these resources.

G. Management of Facilities After Attack on the Continental United States [39]

1. LOCAL—Local officials will identify those public facilities (such as radio stations, roads, sewerage systems and airports) and utilities (such as water, electric power and gas) essential to the continued life of the community. They will direct, through appropriate departments of local governments, repair and restoration of vital public facilities and utilities and the order in which essential needs for local service should be met. If locally available materials or manpower are inadequate for such needs, mutual assistance arrangements with other local govern-

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[39] See Annex 35, EMERGENCY ADMINISTRATION OF ESSENTIAL FACILITIES; Annex 32, NATIONAL WATER PLAN; Annex 33, NATIONAL ENERGY AND MINERALS PLAN, and Annex 34, NATIONAL TRANSPORTATION PLAN.

ments will be invoked. Utility systems will make known mutual assistance arrangements to the government entities concerned. Such arrangements will be invoked to furnish service for essential needs. Requests for Federal assistance will be made through the State unless other arrangements approved by the State exist.

2. STATE—State governments will assist the local governments in the repair and restoration of public facilities essential to statewide emergency activities and allocate available utility service within the State where conflicts between localities in the use of the service arise. The State will modify its regulations on utility operations to the extent necessary to facilitate restoration of service within the State and in other States.
3. FEDERAL—The Federal Government will
   a. Identify those resources, including industrial facilities, utilities and services essential to the maintenance and operation of the national economy
   b. Allocate such resources where necessary
   c. Resolve conflicts so that the most essential national requirements will be met
   d. Exercise priorities and allocation and requisitioning authority in order to expedite and direct the flow of such resources to meet national requirements
   e. Take necessary actions (such as ordering interconnection of utility systems) to assure maximum effectiveness in use of interstate resources

f. In areas where it has equipment and trained manpower which would be useful in restoration of public facilities and utilities, make such resources available if they are not needed for duties of equal or greater essentiality.

VII. Supporting Functions

A. Research and Development[40]

1. The Federal Government will fund, maintain and support a complete and coordinated research and development program to determine optimum methods, materiel and facilities for the civil defense and defense mobilization of the United States. The program will be coordinated by OCDM.
2. This program will include, but not be limited to, subject matter on weapons effects (including sociological and psychological effects); passive defense techniques; operational systems for identifying, computing and transmitting operational data; resource data accumulation, analysis and use; and equipment design and use.
3. Financial contributions to States for the conduct of programs of applied research on problems unique to their jurisdiction or to those of their political subdivisions will be provided if adequately justified.

B. Training and Education[41]

OCDM will stimulate and conduct, when necessary, programs of civil defense and defense mobilization training and education. Contributions to the States and their political subdivisions for training and education activities will be made available. The objectives of these programs are:

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[40] See Annex 36, RESEARCH AND DEVELOPMENT.

[41] See Annex 37, TRAINING AND EDUCATION.

1. To assist governments at all levels to obtain operational readiness in emergency
2. To provide every person with information and instruction essential for survival and recovery.

C. Federal Assistance [42]

The Federal Government will furnish such technical, financial and material assistance to States and their political subdivisions and to private organizations as is permitted by law and is necessary for the civil defense and defense mobilization of the United States. This includes, but is not limited to,

1. Use of technical personnel
2. Grants-in-aid, loans and tax benefits
3. Transfer of surplus property

D. Review, Tests and Inspection [43]

1. Civil defense and defense mobilization plans of Federal departments and agencies, those State and local plans financed in whole or in part by the Federal Government, and programs based on such plans will be continually reviewed by the Director for adequacy and for conformance with this National Plan.

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[42] See Annex 38, FEDERAL ASSISTANCE.

[43] See Annex 39, REVIEW, TESTS AND INSPECTION.

2. The Director will arrange and supervise, as he deems advisable, tests and exercises for purposes of evaluating and improving civil defense and defense mobilization readiness.
3. The Director will determine standards of maintenance and use and will supervise inspection of civil defense and defense mobilization equipment and facilities financed in whole or in part by the Federal Government.

E. Maintenance of the National Plan

The Director will provide for continual review of the National Plan for Civil Defense and Defense Mobilization, revise it as necessary to assure that it is complete, accurate and current at all times and require such reports as will keep him advised on progress and program status. Any proposals for changes in the Plan should be submitted to the Director.

Glossary of Terms

BIOLOGICAL WARFARE AGENTS—Living organisms or their products capable of causing death, disability or damage to man, animals and crops.

CHEMICAL WARFARE AGENTS—Chemicals in the form of solids, liquids or gases capable of causing death, disability or damage.

CIVIL DEFENSE—Activities and measures designed or undertaken (1) to minimize the effects upon the civilian population which would be caused by an attack upon the United States or by a natural disaster, (2) to deal with the immediate emergency conditions which would be created by any such attack or disaster and (3) to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by any such attack or disaster.

CLANDESTINE ORDNANCE—Destructive devices covertly assembled in or introduced into this country.

CONELRAD—A plan to deprive the enemy of electromagnetic radiation as an aircraft navigational aid without depriving the public of standard broadcast radio as a source of news and instruction. This system permits emergency broadcasting on 640 or 1240 kilocycles in areas served by standard broadcast stations authorized to operate during the CONELRAD (Radio Alert) period.

DECONTAMINATION—The process of reducing the hazard associated with an object or area by absorbing, destroying, neutralizing, making harmless or removing chemical, biological, radiological or toxicological agents clinging to or around it.

DEFENSE MOBILIZATION—The employment of government and the national economy for meeting essential civilian and military requirements.

DIRECTOR—Director of the Office of Civil and Defense Mobilization, Executive Office of the President.

FALLOUT—The return to the earth's surface of particles made radioactive and thrown into the air by a nuclear explosion. The term also applies to the contaminated particles themselves.

Federal Agency Field Establishments—Offices, installations or representatives of the Federal Executive Branch of Government (including those normally under the direction of, but not necessarily a formal part of, the Executive Branch) not located at the seat of government or constituting or designated as a National Headquarters.

Hardening—Reducing the vulnerability of a structure, device or system by strengthening its material components or otherwise increasing its physical protection against deliberate, accidental or natural damage or wear.

Interstate Compact—Agreement between two or more States to commit supplies, materials, equipment or forces to each other to alleviate the effects of attack.

Interstate Target Area—Any metropolitan complex or other attack objective situated in two or more States.

Intrastate Mutual-Aid Perimeter—Boundaries of a geographical area agreed upon by the State and between two or more political subdivisions within the State for purposes of planning for the exchange of supplies, materials, equipment or forces to each other to alleviate the effects of attack.

Monitoring—The procedure or operation of locating and measuring radioactive contamination by means of survey instruments which can detect and measure (as dose rates) ionizing radiations. The individual performing the operation is called a monitor.

Political Subdivision—Any county, city, town or other local government of any State, Territory or Possession of the United States.

Radiological Contamination—The deposit of radioactive material on the surfaces of structures, areas, objects, animals or persons following a nuclear explosion. This material generally consists of radioactive fallout in which fission products and other bomb debris have become incorporated with particles of dirt, etc.

Regional Director—Director of one of the regional offices of the Office of Civil and Defense Mobilization.

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THE NATIONAL PLAN
for
Civil Defense and Defense Mobilization

Annex 41
SUMMARY OF ANNEXES

Executive Office of the President

OFFICE OF CIVIL AND DEFENSE MOBILIZATION

Preface

This document indicates the subject matter and content of annexes to the National Plan for Civil Defense and Defense Mobilization. In general, the order of annexes reflects that of the related sections of the National Plan, not the sequence of issuance of the annexes.

This Annex is published in looseleaf form to facilitate replacement of pages whenever revisions are made.

Following the annex summaries is an alphabetical index of annex titles.

(Signed) Leo A Hoegh
Director
Office of Civil and Defense Mobilization

Issued October 1958

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ANNEX 41

Summary of Annexes

Annex 1—Planning Basis

General facts and assumptions regarding those contingencies which necessitate civil defense and defense mobilization readiness. It indicates the three major classes of hostility (international tension, limited war, general war), distinguishes among the nonmilitary measures required under each and discusses the attack factors, assumed targets and probable postattack environment in event of nuclear attack upon the United States.

Annex 2—Individual Action

A check list of preemergency preparations and emergency actions which individuals and groups can and should take to reduce vulnerability to life and property, to minimize demands upon community resources and to enable participation in the organized community survival effort.

Annex 3—Organization for Civil Defense and Defense Mobilization

Normal and emergency organization of OCDM and the entire Federal Government for civil defense and defense mobilization. The annex also includes the OCDM succession lists both for command and for command headquarters and explains in detail intra- and intergovernmental relationships indicated by the "Channel of Coordination" chart in Part IV.C.

Annex 4—Authorities for Civil Defense and Defense Mobilization

A summary of existing and prospective laws, executive orders, and other authorities pertinent to civil defense and defense mobilization.

Annex 5—Federal Delegations and Assignments

A summary of Civil Defense and Defense Mobilization responsibilities assigned to other Federal agencies by the Director, OCDM. The complete text of the assignments are included in the appendices to this annex.

Annex 6—Federal Emergency Procedures

A compilation of actions to be taken under various emergency circumstances by the Federal Government. Except for a summary and general procedures, the document is classified.

Annex 7—Role of the Military

Civil assistance functions of the Department of Defense and its military units, procedures for performance, and the conditions under which such assistance may be provided.

Annex 8—Preparations for Continuity of Government

Preparations necessary for the preservation and continued operation of government at all levels during and after emergencies, with emphasis on succession to office, safekeeping of records, emergency operating centers and maximum employment of government personnel and resources.

Annex 9—Public Information

Content and means of dissemination of preemergency and emergency information relevant to civil defense and defense mobilization, important to the safety, morale and well-being of the public. Such information and instructions include but are not limited to news, warnings of dangers, and preventive and remedial measures.

Annex 10—National Shelter Plan

Kinds of shelter, assumptions upon which the shelter program is based, general governmental and personal responsibilities for shelter and functions to be performed in accordance with the national program.

Annex 11—Protection of Essential Facilities

Government and nongovernment activities for the physical protection of essential facilities. Includes methods of protection (hardening, dispersal, duplication), criteria for determining essentiality, and requirements for protection. As used in this annex "facilities" can include industrial, commercial, financial, educational and governmental establishments, hospitals, utilities and terminals.

Annex 12—Controlled Movement

Responsibilities, criteria, methods and procedures for the organized relocation of population groups, along with necessary possessions and resources, from areas of anticipated or existing danger or need to areas of relative safety and adequacy. It also concerns emergency and post-emergency resettlement as well as strategic and tactical evacuation.

Annex 13—Warning

Requirements, methods, systems and procedures for disseminating warning of impending or existing attack, attack effects or related dangers to all persons and governments.

Annex 14—Damage Assessment

Requirements for systems to determine, estimate or predict attack effect on people, governments and resources in order that governments may be informed of remaining availability. Procedures for making assessments are also provided.

Annex 15—Communications

Requirements, procedures, regulations and restrictions concerning all systems for transmitting civil defense and defense mobilization information and instruction within and among governments and between governments and the people.

Annex 16—Maintenance of Law and Order

Guidance and procedures for assuring lawful, orderly and adequate government. Democratic, constitutional traditions and practices are required to be observed to the extent compatible with the need to preserve or restore civil order.

Annex 17—Disaster Services

Rescue, debris clearance and similar localized emergency functions not covered by other annexes. Reference is also made to disaster service aspects of other services.

Annex 18—National Medical and Health Plan

Requirements and procedures for preventive and remedial health care under disaster conditions and during national rehabilitation. Includes public health services, medical treatment, first aid, burial, etc.

Annex 19—Mass Care and Assistance

Preparations and procedures for emergency feeding, clothing, housing and other assistance for those in need as a result of attack.

Annex 20—Registration and Information

Procedures, facilities and resources for the identification and location of attack victims and survivors.

Annex 21—National Fire Protection Plan

General guidance and procedures for preventing and combating conflagrations directly or indirectly resulting from enemy attack.

Annex 22—Clandestine and Unexploded Ordnance Defense

Responsibilities and general procedures for detecting, reporting, disarming and disposing of ordnance covertly introduced, failing to detonate, fused for delayed detonation, etc.

Annex 23—National Radiological Defense Plan

Responsibilities and courses of action pertinent to forecasting, monitoring, reporting and analyzing radiation hazards and warning and protecting the public against them.

Annex 24—National Biological and Chemical Warfare Defense Plan

Requirements, responsibilities and measures to neutralize or minimize the effects of living organisms or non-explosive chemicals usable by an aggressor to cause death, disability or damage to man, animals, crops, equipment or facilities.

Annex 25—Maintenance of Essential Resources

Preemergency and emergency actions necessary to insure adequate and protected reserves of raw materials, finished goods, facilities, executive personnel and skilled labor required for emergency production and distribution of domestic and allied military and civilian needs.

Annex 26—Protection and Continuity of the National Industrial Plant

Government and industry procedures for reducing the vulnerability and assuring the emergency usability, survival and recovery of essential production and distribution. Such procedures will concern continuity of industrial management, sources of supply, exchange of resources, subcontracting and related matters. (Physical protection of industrial facilities is treated in Annex 11, "Protection of Essential Facilities.")

Annex 27—Emergency Financial Controls

Measures to maintain the national monetary and credit structure and the entire financial system so as to assure optimum support of mobilization, survival and recovery of the Nation and its people.

Annex 28—Management of Emergency Production

Requirements and procedures for preemergency and emergency actions of government and industry for the optimum use of industrial capabilities to produce needed materiel, provide jobs and maintain a base for industrial recovery.

Annex 29—Emergency Distribution and Consumption Controls

Government preparations and emergency actions to insure equitable, efficient and practical provision of available supplies to governmental, industrial and private consumers.

Annex 30—National Manpower Plan

Criteria and procedures for identifying requirements, and establishing reserves in management and technical skills, and for the emergency recruitment, assignment and compensation of a labor force.

Annex 31—National Food Plan

Criteria and procedures for assuring conservation, production, processing, supply and distribution of foodstuffs and substitutes under emergency conditions and during national reconstruction after attack.

Annex 32—National Water Plan

Procedures for providing, purifying and safeguarding water during emergency for drinking, sanitation, food processing and other necessary personal and industrial uses (excluding water for power, treated in Annex 33.)

Annex 33—National Energy and Minerals Plan

Criteria and procedures for the provision and use of water, oil, natural gas, ores and other minerals and mineral products for production and processing of essential materiel and for maintenance of adequate fuel and power for essential production, transportation, heating, lighting and other requirements for emergency.

Annex 34—National Transportation Plan

Procedures for emergency regulation and use of road, rail, water and air methods of conveyance required for, or otherwise relevant to, the movement of persons and materiel in support of military, civil defense and defense mobilization functions.

Annex 35—Emergency Administration of Essential Facilities

Criteria and procedures for government or private administration under emergency conditions of facilities and utilities necessary to civil defense and defense mobilization.

Annex 36—Research and Development

Responsibilities, objectives and functions for the collection and study of information on weapons effects (physical, sociological and psychological) and on civil defense and defense mobilization needs, and for the design and perfection of protective, operational and remedial methods, devices, criteria and resources.

Annex 37—Training and Education

Preemergency and emergency requirements and procedures for general and specific instruction in civil defense and defense mobilization activities.

Annex 38—Federal Assistance

Criteria and procedures for committing Federal funds and personnel to assist State and local governments, private organizations and industry in preparations for civil defense and defense mobilization programs, procedures, equipment and facilities.

Annex 39—Review, Tests and Inspection

Requirements, organization and procedures for reviewing, testing and inspecting civil defense and defense mobilization programs, procedures, equipment and facilities.

Annex 40—Natural Disaster Manual

Criteria and procedures for Federal aid to relieve the effects of major natural disasters.

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June 27, 1956

The White House

Washington

THE CABINET

Fund-Raising Within the Federal Establishment — Approved Policy and Program

The attached approved paper is circulated for action by each Department and Agency under the general coordination of the Adviser on Personnel Management.

The policies reflected in this paper have been approved by the President following a series of Cabinet, Sub-Cabinet and bilateral discussions (cf SRA - 56-5, Item 2; SRA - 56-4, Item 2; RA - 44, Item 3), and following extensive consultation with representatives of the interested health and welfare agencies. The President's statement itself appears on Page 3.

The procedures specified in earlier versions of this paper (Section III-C of SCP - 56-5/2) will be worked out in their final form, pursuant to the policies in this attached paper, by the President's Committee on Fund-Raising Within the Federal Service and the Advisory Council to the President's Committee, which will be established by a forthcoming Executive Order.

Minus this cover-sheet, the attached paper is being made publicly available today.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE

WASHINGTON

FUND-RAISING WITHIN THE FEDERAL ESTABLISHMENT

APPROVED

POLICY AND PROGRAM

From the Office of
The President's Adviser on Personnel Management
June 27, 1956

THE WHITE HOUSE
WASHINGTON

FUND-RAISING WITHIN THE FEDERAL ESTABLISHMENT

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I. Statement by the President

II. The Problem -- The Development and Philosophy of the Program

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V. Policy Direction and Administration of Federal Service Fund-Raising

From the Office of
The President's Adviser on Personnel Management
June 27, 1956

THE WHITE HOUSE

WASHINGTON

FOREWORD

"We who work in the Government want to assume our full citizens' share of voluntary support of the many worthwhile private health and welfare organizations.

"True voluntary giving is based on the personal desire of an individual to make a private donation to a specific agency for a purpose with which he is familiar and which he wants to support.

"The new program will make available to everyone in the Government the opportunity to give his full measure of support to these efforts."

DWIGHT D. EISENHOWER

June 27, 1956

II

THE PROBLEM -- THE DEVELOPMENT AND PHILOSOPHY OF THE PROGRAM

Problem: In the Federal Government, it has been traditional to cooperate with and assist recognized health and welfare agencies to solicit both military and civilian personnel during their hours of duty. The multiplicity of these annual solicitations, despite the merit of each cause, has resulted in employee vexation and frustration and many times less than satisfactory results, a loss of valuable on-the-job time and problems for the administrators in the departments and agencies.

Development: The President and the Cabinet have decided that the traditional policy of allowing solicitation of Federal personnel should be continued, and have determined that two basic principles are fundamental to the development of an effective Fededal Service program: (1) A new government-wide policy directing a fund-raising program of "true voluntary giving" for all Federal establishments within and outside the Continental United States, and (2) a fund-raising program that would best meet the needs of the Government.

It was also strongly felt that a fund-raising program that had the support of the health and welfare agencies would be advantageous to all parties concerned. Such an approach would not only reduce or eliminate the number of current problems, but it would also, with Government support, provide the associations with an organized method for educating potential givers.

For more than a year, the Office of the President's Adviser on Personnel Management has been studying this complex problem, with the assistance of staff members of various departments and agencies. The survey represented an exhaustive review and analysis of the field of voluntary health and welfare fund-raising. The policies and procedures of the voluntary agencies were carefully considered, also public and private opinion, the diverse Federal department plans, and Federal personnel attitudes with respect to fund-raising during working hours. Following the completion of this study on September 8, 1955, the first of two meetings was held, followed by many consultations with the leaders in the field of fund-raising for health and welfare to enlist their cooperation and ask their advice in the development of a uniform policy and program for the Federal establishment. It was felt that any such program should be the outgrowth of the expert knowledge and experience accumulated by these persons and associations over many years. On February 17, 1956, these persons and associations were furnished data describing the Government's approach to a uniform fund-raising policy and program that had been approved by the President and the Cabinet, and asked to comment. The reactions, reservations and recommendations obtained were given exhaustive study. A prospectus of a tentative plan was prepared and reviewed line-by-line with representatives of all main interested groups.

The pages which follow contain the new Federal Service Fund-Raising Policy which has been developed with Cabinet concurrence. The program is designed to meet the expressed wish of the President for "true voluntary giving."

Philosophy: The fund-raising policy of the Federal Government must be flexible enough to provide workable guidelines to large and small installations the world over. It affects on-the-job solicitation of more than five million givers, including all civilian employees and members of the Armed Forces. It is clear that the Federal Government cannot advocate or dictate acceptance by the people in the Federal Service or by the national voluntary health and welfare agencies of any single fund-raising procedure to the exclusion of all others. The Federal Government must, of necessity, follow an impartial policy which can also be adapted to the fund-raising patterns of the various communities in which its people work and live, and be in accord with the principles of "true voluntary giving."

Attention is invited to Section IV-B-2(c) which provides for the development of an effective mechanism for solicitation by certain recognized voluntary agencies which do not come within the standard definition of a health or welfare organization: for example, "Crusade for Freedom."

PHILIP YOUNG

June 27, 1956

III

EXPLANATION OF TERMS
(as used in this paper)

A. "PLAN" - The term "plan" in this paper is used in a broad sense. It is used to mean a policy and framework to guide departments and agencies in the conduct of fund-raising programs in all types of Federal installations within and outside the Continental United States.

B. "IDENTIFICATION" - Adequate identification means that the name of each national health or welfare agency must be joined with the name of its local chapter or local affiliate participating in a "United Fund" campaign upon a contractual basis to avoid any possible misunderstanding concerning the ultimate destination of a gift. For example, solicitations simply in the name of a health "cause" would not be considered adequate identification.

C. A "RECOGNIZED" AGENCY - A recognized agency is an organization which has been found to be acceptable by reason of its having met the basic standards to be established by the President's Committee appointed to administer the Federal Service Fund-Raising program.

D. "ONE'S FAIR SHARE" - In the conduct of voluntary fund-raising campaigns which require an overall dollar goal and quotas, it will be permissible to indicate in campaign material what one's fair share of responsibility might be toward the success of the campaign. It is recognized that dollar quotas are designed primarily to indicate the general pattern of giving that would have to be followed if the participating health or welfare organization's overall dollar goal is to be achieved and its obligations discharged. Federal personnel will be made aware during the course of the campaign, through participating agencies' reports, of the degree to which their particular installation is following the giving pattern of the community in which they reside. It is implicit in the Government policy that individual employees be assured complete privacy in making their gifts and be insulated as far as possible against individual dollar quota pressure.

E. AN "AMERICAN NATIONAL RED CROSS" CAMPAIGN - In the functioning of the Federal Service program in those communities where a local chapter of the American National Red Cross does not participate in a "local federated" or local "United Fund" campaign, an American National Red Cross campaign will be conducted during the traditional month of March. American National Red Cross local chapter fund-raising campaigns are conducted on an overall dollar goal basis with quotas as indicated in "D" above.

F. A "UNITED FUND" CAMPAIGN - A United Fund campaign is a local Community Chest pledge solicitation, fund-raising movement with an overall dollar goal and quotas as described in "G" below, with the American National Red Cross participating. Other recognized national agencies may be included in the local "United Fund" campaign on a contractual basis in accordance with "B" above. In the functioning of the Federal Service fund-raising program, a local "United Fund" is dealt with and considered a single participating agency solely to safeguard its contractual relationship with its member agencies.

G. A "LOCAL FEDERATED" CAMPAIGN - A local federated campaign is a local Community Chest pledge solicitation, fund-raising movement with an overall dollar goal and quotas, in which certain purely local social welfare organizations participate, as well as certain well-known national organizations; for example, the USO for the benefit of our Armed Forces at home and overseas; the Salvation Army, and the Boy Scouts which conduct local programs. The Community Chest has for years functioned as an effective fund-raising agent in annual campaigns to raise a sufficient amount of money to cover the operational expenses of the worthy causes it represents. In the functioning of the Federal Service fund-raising program, a local "Community Chest" is dealt with and considered a single participating agency solely to safeguard its contractual relationship with its member agencies.

III

EXPLANATION OF TERMS
(Continued)

H. A "NATIONAL HEALTH AGENCY" CAMPAIGN - In the functioning of the Federal Service program in those communities in which recognized national health agencies do not participate in local United Fund campaigns and solicit on a cash basis, a national health agency campaign will be conducted over a six weeks' period - from December 15 to January 31, or a similar period which suits the local community pattern. Soliciations conducted during such a campaign will preserve the identity of each participating national health agency and provide for designated gifts going direct to the agency of the giver's choice.

I. "KEYMAN" - A keyman is the solicitor of contributions in the fund-raising efforts of the Community Chest or United Fund organizations, and the American National Red Cross, which have overall dollar goals and quotas. The term "Keyman" is similarly used in the Federal Service Plan in the conduct of any fund-raising campaign. In the case of a local Community Chest or United Fund campaign, a Keyman sometimes acts in a dual capacity - (1) a solicitor and/or (2) in those departments where permitted, as a post-campaign collector of budgeted installment payments.

The fund-raising committees to be established under the Federal Service Plan will be continuing organizations. This will assure thorough acquaintance on the part of all fund-raising workers with the mission and functions of the recognized participating health and welfare agencies and contribute to more effective solicitation.

The Federal Service Plan suggests that a Keyman be made responsible for about twenty-five individual employee solicitations. His goal is 100% voluntary participation. He must be capable, energetic, patient and endowed with good common sense. He must avoid any action which might be considered to be coercive or in any way contrary to the principles of free-will, voluntary giving.

In accordance with established practice, under the Federal Service Plan, Keymen will operate under the supervision of a Division Campaign Chairman who reports to the Department Chairman through whom there will be a point of contact with the benefiting agencies. The Division Campaign Chairman has a dollar goal which is his group's equitable share of the overall dollar campaign target of his department. A breakdown of the Division Campaign Chairman's goal to effect the assignment of a dollar quota to an individual is absolutely prohibited.

IV-A

FEDERAL SERVICE FUND-RAISING POLICY

A. Criteria:

1. A new government-wide policy directing a fund-raising program of "true voluntary giving" for the departments and agencies, including the Armed Forces.
2. Not more than three solicitations annually during specified periods. (All recognized and approved national voluntary agencies will be assigned an appropriate period for their solicitation.)
3. Flexibility to fit all types of Federal establishments and installations.
4. Minimum disturbance of people on duty.
5. Minimum of cost of record-keeping and administration for Federal government departments and agencies.
6. Acceptability to givers.
7. Preservation of the giver's choice by providing that his gift goes intact to the agency of his choice.
8. Preservation of the identity of each recognized national voluntary agency.
9. Opportunity for education allowing each national voluntary agency to tell its story to each potential giver.
10. Privacy of individual donations unless the individual giver himself chooses to reveal his gift.
11. Exceptions from the policy of three solicitation periods for emergency and disaster appeals.

The program does not provide for:

1. Payroll deductions.
2. Automatic revelation to other Federal personnel of any individual's donation.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

B. Policies (pursuant to the foregoing Criteria).

1. A new government-wide policy directing a fund-raising program of "true voluntary giving" which sets forth guidelines for the departments and agencies including the Armed Forces.

   All Federal agencies and installations within the Continental United States shall, to the greatest extent possible, within the criteria set forth in IV-A, adapt their fund-raising programs to the pattern of the community in which they are located.

2. Not more than three solicitations annually during specified periods.

   a. Under the Federal Service fund-raising program, a single solicitation will be conducted only when all recognized national voluntary agencies participate in a United Fund campaign.

   b. Two solicitations will be conducted in those communities which utilize a United Fund which does not include all of the recognized and approved national voluntary agencies whose policies permit participation in the Federal Service plan.

      i. One pledge solicitation with an overall dollar goal and quotas as indicated in III-D and III-F above.

      ii. One cash solicitation over the specified six-weeks' period as indicated in III-H above.

   c. A maximum of three solicitations will be conducted in those communities which do not have a United Fund or a "limited" United Fund.

      i. One pledge solicitation with an overall dollar goal and quota will be necessary for the needs of the local Community Chest.

      ii. One overall dollar goal and quota solicitation during March will be necessary to accommodate the local chapter of the American National Red Cross.

      iii. One cash solicitation over the specified period of six weeks will be necessary to accommodate the recognized national health agencies. This solicitation will preserve the identity of each participating national health agency and will provide for the gifts to go direct to the agency of the giver's choice.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

Note: It is recognized that there are certain national voluntary agencies which do not come within the standard definition of a health or welfare organization. United Funds, which are both local and national appeals, may possibly provide a mechanism for solicitation by these agencies. In some cases, under special circumstances, provision may have to be made for permitting this type of agency to solicit concurrently with other groups during one of the specified periods. In such instances, the problem will be worked out and the solicitation period determined by the President's Committee after investigation of the merits of each individual case and consultation with the Advisory Council.

d. In all Federal Government installations located outside the Continental United States, three Federal service cash solicitations with no over-all dollar goals or quotas may be necessary. These solicitations should, whenever possible, be carried on concurrently with the three state-side Federal service solicitations mentioned in 2-c above; for example:

   i. One cash solicitation each Fall for the needs of Community Chests if they wish to avail themselves of this opportunity.

   ii. One cash solicitation during March for the needs of the American National Red Cross.

   iii. One cash solicitation over the specified period of six weeks to accommodate the recognized national health agencies. This solicitation will preserve the identity of each participating national health agency and provide for the gifts to go direct to the agency of the giver's choice.

Note: The Federal service fund-raising program will permit those participating national voluntary agencies which have conducted overseas campaigns to continue them. In addition, it will provide an opportunity for those which have not campaigned overseas to do so. The program will provide every military and civilian member of the Federal establishment an opportunity to participate in these worthwhile hometown activities, no matter how distant his overseas duty station may be from his home.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

3. Flexibility to fit all types of Federal establishments and installations.

   The criteria set forth in IV-A shall be adhered to by all Federal government installations throughout the world. Flexibility has been provided in the policies expressed in IV-B-2 above to enable field services of departments and agencies and the heads of local installations to gear their Federal Service Fund-Raising Programs to their local community fund-raising pattern.

4. Minimum disturbance of people on duty.

   The solicitation policy shall be applied so as to meet this criterion.

5. Minimum of cost of record-keeping and administration for Federal government departments and agencies.

   Provision for not more than three solicitations annually will reduce the cost for most departments and agencies. The cost will be reduced further by the provision requiring privacy of individual gifts, thus eliminating a considerable portion of the fiscal record-keeping in the handling of solicitations under existing procedures.

6. Acceptability to givers.

   Federal departments and agencies, to ensure acceptability to givers, must adhere to criteria 2, 4, 7, 8 and 10, which provide employees full freedom of choice, freedom from coercion, and privacy of their gifts.

7. Preservation of the giver's choice by providing that his gift goes intact to the agency of his choice.

   Each benefiting agency shall be identified in accordance with III-B above by local Community Chests and United Funds in order that each employee, should he so desire, can designate the agencies of his choice.

   The distribution of gifts is governed by the contractual agreements between the Community Chest or the United Fund and its membership. The Federal Service program in no way modified any such agreements and it should be emphasized that a United Fund or a Community Chest qualifies as a single participating agency where it meets the conditions of the Federal Service program. Under such conditions, Federal employees will be encouraged to support a United Fund or Community Chest where such contractual agreements exist.

8. Preservation of the identity of each recognized national voluntary agency.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

As set forth in III-B above, each participating national health or welfare agency must be specifically identified by name in all Federal Service fund-raising campaign material.

9. Opportunity for education allowing each national voluntary agency to tell its story to each potential giver.

To the greatest extent possible, the educational provisions of the program will be designed to accommodate the educational programs and needs of each voluntary agency participating in the Federal Service program.

10. Privacy of individual donations unless the individual giver himself chooses to reveal his gift.

Under the Federal Service plan, no keyman solicitor or person performing that function is empowered or authorized to ascertain or request the amount of any individual's contribution. Likewise, no individual employee can be required to divulge the amount of his individual gift. The modified keyman solicitation and optional keyman collection procedures are designed to meet this basic policy of safeguarding the privacy of individual gifts where the employee does not wish the amount of his gift to become known.

In observing this policy, department chairmen or their representatives cannot accept or utilize, for solicitation purposes, lists of individuals revealing previous gifts, no matter from what source derived.

11. Exceptions from the policy of three solicitation periods for emergency and disaster appeals.

This criterion is necessary to preserve and guarantee complete freedom for emergency fund-raising within the Federal establishment.

Not Permitted:

1. This plan does not provide for payroll deductions, but does permit employer collection of installment pledges.

Employer collection of installment pledges is optional at the department level. Under the Federal Service Plan the modified keyman solicitation methods may well result in an increase of installment pledge contributions. Experience shows that installment pledge contributions are necessary if a local Community Chest or United Fund dollar goal is to be reached. Federal Service keymen fund-raising workers will be encouraged to secure "fair share" installment pledge contributions on a voluntary basis for a local Community Chest or for a local United Fund campaign.

2. Automatic revelation to other Federal Personnel of any individual's donation.

The keystone of the Federal service plan is "true voluntary giving." Accordingly, no potential avenue should be left open to the possibility of coercive persuasion in the upgrading of an individual's gift to meet a set dollar target or quota. Only if the individual giver, for whatever reasons of his own, wishes to reveal the amount of his donation shall his donation be known to other Federal personnel.

- V -

POLICY DIRECTION AND ADMINISTRATION OF FEDERAL SERVICE FUND-RAISING

An Executive Order issued by the President will provide the authority for implementing the policy of the Federal Service fund-raising program of "true voluntary giving" as set forth in this paper, and will also provide for:

A. The establishment of The President's Committee on Fund-Raising Within the Federal Service. This Committee will be composed of five members to be appointed by the President who shall designate the Chairman and Vice Chairman of the Committee. The Chairman, Vice Chairman and members of the Committee shall serve at the pleasure of the President. The Committee will, after consultation with the President, take necessary steps to put approved policies and procedures into effect and shall be responsible for a continuing review of the conduct and operation of the program.

B. An Advisory Council to the President's Committee will be appointed by the Chairman of the Committee to serve as a working group to assist and advise the Committee in carrying out its responsibilities.

The Advisory Council will be composed as follows:

The Surgeon General, Public Health Service, or his alternate,
The President, American National Red Cross,
The President, United Community Funds and Councils of America,
The President of a participating national health agency to serve on a rotating basis,
Not less than three members from the Federal Service to represent Federal officers and employees, and the Armed Forces.

The Chairman and Vice Chairman of the Council shall be appointed annually from among its members by the Chairman of the Committee.

An operational manual will be developed by the President's Committee, with the assistance of the Advisory Council, to implement the Federal service fund-raising policy set forth in this paper.

* * * * * *

THE WHITE HOUSE
WASHINGTON

September 26, 1958

NOTE FOR THE PRESIDENT

The Vice President has asked to be excused from today's meeting since he is out of town, deep in the middle of preparations for the forthcoming campaign.

Mr. Robert Gray is in Europe on an official inspection tour of refugee camps. Airplane schedules will not permit his being here in time for this meeting.

Bradley H. Patterson Jr.

Bradley H. Patterson, Jr.

NATIONAL ARCHIVES AND RECORDS SERVICE

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

CORRESPONDENTS OR TITLE	DATE	
of Action RA-58-118	10/25/58	A
Meeting [illegible] per NLE 76-137 #13	10/9/58 3/17/77	A
Operation Alert	undated	A
Operation Alert problems	10/9/58	A
for Consideration CP-58-87 re Operation	10/6/58	A
Discussion of Operation Alert	10/9/58	A
Cray to Heads of Agencies	10/25/58	A
Action CP-58-87/1 re Operation	[illegible]	A
ation CI-58-7/6- Action for period 3/28/58- 8/28/58	10/[illegible]/58	A

Executive Order 11652 governing access to national security information.
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October 6, 1958

THE WHITE HOUSE

Washington

THE CABINET

Agenda

Thursday, October 9, 1958

9:00 AM

1.	Recommendations Growing Out of Operation ALERT, 1958	CP - 58-87	The Director, Office of Civil and Defense Mobilization
2.	Cabinet Action Status Report	CI - 58-7/6	The Secretary to the Cabinet
3.	The October Lunar Probe		The Administrator, National Aeronautics and Space Administration

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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LWC 3-17-77

MINUTES OF CABINET MEETING

October 9, 1958
9:00 A. M. -- 10:40 A. M.

The following were present:

President Eisenhower

Sec. Dulles
Under Sec. Scribner
(for Sec. Anderson)
Deputy Sec. Quarles
(for Sec. McElroy)
Deputy Atty Gen Walsh
(for Mr. Rogers)
PMG Summerfield
Under Sec. Bennett
(for Sec. Seaton)
Under Sec. Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Flemming

Deputy Director Roger Jones
(for Mr. Stans)
Gov. Hoegh

Dr. Glennan, NASA
Mr. Wendell Barnes, SBA
Dr. Waterman, NSF
Dr. Dryden
Dr. Saulnier, CEA
Plus approximately 40 agency
officials for Item #1

Gen. Persons
Mr. Hagerty
Mr. Harr
Mr. Robert Gray
Mr. Gordon Gray
Mr. McPhee
Mrs. Wheaton
Mr. Siciliano
Mr. Merriam
Capt. Aurand
Mr. Paarlberg
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

Operation Alert 1958 - Evaluation - (CP 58-87) - Gov. Hoegh reviewed the three phases of this year's operation, pointing out that task forces had been created for the evaluation phase and that the ensuing reports would be by the heads of those groups.

For the economic and financial stabilization group, Dr. Saulnier reported that discussions and reports from all the interested agencies revealed a number of gaps in the preparedness program in this field. He recommended the following corrective measures: (1) representation at one central point of all the agencies involved; (2) early decisions (to be made through the Special Committee on Post Attack Finances which the President established previously) on such policy matters as re-establishing liquidity of operations, possible debt moratorium, possible use of scrip, etc.; (3) improved guidance for local officials as to controls, rents, rations, etc.; and (4) determination of who had the basic responsibility for financial institutions and where it rests within the Federal Government.

BHC 3-17-77

For the resources group, Asst. Director J.R. Price of OCDM reported some shortcomings that were apparent, and then recommended: (1) wider dissemination on an unclassified basis of preparedness plans; (2) development under OCDM of a regional resources management program; and (3) improved plans for management of resources when national trade is restored. He indicated OCDM was already moving ahead on all of these.

On operational readiness, Asst. Director Berry of OCDM asserted that at all levels of government there is a gross inadequacy, and he outlined the destruction caused by the assumed attack, emphasizing that most of the Relocation Arc would not be habitable even two weeks later and that communications capabilities were extremely small. He then recommended that the Relocation Arc concept be reviewed by OCDM for consideration by the Cabinet in December, that a unified Federal communications network be developed, and that there be established a permanent domestic information program.

On organization and management, Dr. Arthur Flemming emphasized that operations immediately after attack must hinge upon local action and that the Federal Government must rely immediately upon existing agencies rather than the setting up of emergency agencies. He urged the loosening of security requirements so that emergency papers and plans could be distributed more widely.

In the training report, General Huebner (Civil Defense Director of New York State) recommended a three-year training program, numerous small exercises within the framework of national exercises, and an actual testing in 1959 of a realistic survival plan for Washington, D.C., as an example and incentive to other major cities. Also regarding 1959 exercises, he urged that the second and third phases be based on a realistic attack pattern.

Gov. Hoegh summarized improvement actions under way, including: Continuous operation of High Point with representatives of all agencies, issuance of the National Plan, efforts to secure state implementing legislation, and an increase of the Federal matching grant program. He referred to the announcement of a shelter program but emphasized that the Federal Government must lead the way by incorporating shelters in all new buildings.

Gov. Hoegh then asked for Presidential approval of the recommendations in the Cabinet paper. Mr. Morse asked if the review of the emergency agency question could be accomplished several months earlier than the scheduled date of March 1, 1959. Dr. Flemming suggested that agreement be reached immediately for accomplishing the review more quickly and return it to the Cabinet as soon as possible. The President agreed but

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By GHC NLE, Date 8-17-77

asserted his belief that for conducting a war there should be established emergency agencies that could be de-activated at the end of the crisis, rather than building emergency functions permanently into regular agencies.

Speaking for Mr. Stans, Roger Jones hoped that further attention could be given to the budgetary aspects of the proposals. Mr. Scribner concurred because of the potential cost of $250 million for protected regional sites. Gov. Hoegh asserted the cost would be much less -- in the neighborhood of $24 million. The President thought the $24 million figure was within reason but was not ready to accept the $250 million figure. He directed that all expenditures involved in these recommendations be put through the Budget process. He expected that the regional sites would be located on ground already owned by the Government, so as to reduce costs.

Sec. Dulles raised the question as to public awareness of the need for putting food and water in home shelters, since it would avail one individual very little to have such supplies were his neighbors not equally prepared. Gov. Hoegh thought this awareness could and would be developed.

The President referred to the proposed declassification of documents and noted the tremendous psychological problem that results from public unwillingness to act unless scared and, on the other hand, public pressure for spending overly vast sums of money if scared. Reverting to the subject of regional sites, the President stressed the need for having subordinate officials prepared to take charge to meet whatever situation may actually develop.

The Postmaster General noted the Post Office and FBI requirement for having their own communications net in peacetime. Gov. Hoegh recognized this requirement.

The President referred to the chaos in the Ruhr area, which would be insignificant compared to nuclear shambles, and expressed a desire to see any study made of German Government operations and finances in the final stages of the struggle. The Postmaster General offered the study made by the Post Office Department.

(A great number of Operation Alert personnel left the meeting.)

Cabinet Status Report - CI 58-7/6) - Mr. Robert Gray called attention to the status reports and asked that Cabinet members review them closely when they had opportunity.

Lunar Probe - Dr. Glennan called attention to the scheduled firing of the lunar probe, an operation to be conducted by the Air Force. He gave a

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detailed description of the vehicle, including the fourth stage retro-rocket and its pay load. Dr. Glennan set forth the principal experiments involved: (1) obtaining television pictures of the moon if the rocket reaches the vicinity; (2) measurement of the magnetism of the earth and the moon; (3) micro-meteorite study; (4) exploration of the radiation belt to determine its extent.

The President and Sec. Dulles commented on the desirability of handling public relations in such a way as to avoid undue suspense and expectations as in the first Vanguard effort. The President expressed his continuing amazement over the amount of well-informed speculation in the newspapers. Sec. Dulles again noted the advantage held by the Russians in being able to keep their failures quiet. Mr. Hagerty stated that the press recently had been cooperating thoroughly but that this particular probe had been leaked by a Congressman.

The President thought all of these things might simply be called space probes so as to avoid the identification of any particular one with the moon -- unless and until it should be a success. He recalled the Manhattan project when only a very few people knew all the phases of the pattern sufficiently to be aware exactly of what was going on.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Robert Gray
Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

October 8, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for October 9

NOTE: As in past years, this morning's Evaluation of Operation Alert 1958 will be presented to an "expanded" Cabinet meeting to which the heads of all the Federal agencies have been invited.

Since there would be considerable confusion and time wasted if we empty the room of the additional invitees in the middle of the meeting, and since the latter two items on the agenda are of general interest, we plan to allow the "expanded" membership to stay throughout the entire meeting, if you have no objection.

1. Recommendations Growing Out of Operation Alert 1958 (Governor Hoegh)

Operation Alert 1958 was conducted in three phases -- the attack phase in May, the Federal action phase in July, and the evaluation phase in September. This third phase was to have ended with an "expanded" Cabinet meeting, as has been the practice in past years. Since you were away at the time, however, this evaluation meeting has been deferred until now.

Governor Hoegh will introduce five participants who will summarize briefly the findings and conclusions of the five areas into which the analysis of Operation Alert was divided. Governor Hoegh will conclude by presenting the Cabinet Paper (attached under Tab 1) in which the outstanding recommendations are summarized. The recommendations in Section I of this paper are for your approval.

Estimated Presentation Time: 45 minutes -- followed by discussion

2. Cabinet Action Status Report (Mr. Robert Gray)

This seventh Cabinet Action Status Report, like its predecessors, is intended to help you and the Members of your Cabinet check follow-through on your assignments given at past Cabinet meetings.

Presentation Time: 1 minute

3. The October Lunar Probe (Dr. Glennan)

In the immediate future, the new National Aeronautics and Space Administration is expected to initiate the second attempt to send a vehicle up into the neighborhood of the moon. Dr. Glennan will summarize in a visual presentation for you and the Cabinet what the project is and what its significance will be.

Presentation Time: 10 minutes

Robert Gray

Robert Gray
Secretary to the Cabinet

Read by
Gov. Hoegh
at Cabinet
10/9/58

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REPORT AND RECOMMENDATIONS
TRAINING SEMINAR GROUP
PHASE III, OPAL 1958

September 18, 1958

Of primary importance to a mobilization readiness program, and therefore to its component, is the state of mind which accepts as a fact that the program is feasible and that a state of readiness is attainable. A necessary corollary is that major elements of the plan should be tested as they are developed rather than to await the completion of a "letter perfect" plan before submitting it to test.

Before getting into our findings and recommendations, we must recognize and keep in mind four things:

1. In carrying out a training mission there are three distinct types of test exercises: (a) A testing device to develop plans or techniques; (b) training to test the feasibility of a plan; and (c) training to achieve capability of a plan.

2. We have adopted a pattern of three major types of exercises for training which we should continue:

   (a) The OPAL Type - The National OPAL Exercise with which we are all familiar.

   (b) The Sentinel Type - An exercise directed to a particular problem area.

   (c) The Readiness Type - A test of operational readiness which can be used at all levels.

3. In order that training may be continued on a logical and purposeful basis, remedial action must be undertaken at local, State, regional, and national levels as soon as each exercise is completed in order to improve operating plans. Unless this is done, the emphasis which each of these exercises supplies will be largely lost.

4. The yearly OPAL exercise, properly planned and executed, is the best training vehicle devised to date to rehearse participants, acting in concert in the non-military defense plans of the nation.

GENERAL CONCLUSIONS

Operation Alert 1958 was the largest ever held. The exercise was most successful at the regional, State and local levels. The national level did not complete the play of the exercise to a point where substantive problems were developed for the decision of the Director, or to a point where the regions could be advised of resources available from the national level, for State and local use.

There is a need for continued training and education on weapons effects and on the national plans for survival, an urgent need for self-sufficiency at the community level during the early post-attack period, and need for strict discipline in the use of existing survival resources.

OPAL 58 caused Governments and the people to review critically their plans. The concept of emergency agencies was partially tested at the national and regional level. Continuity of Government was tested at all levels. More active participation and increased understanding by Federal agencies resulted from the exercise, and Civil Defense plans were tested.

Selected facts concerning participation in this exercise are listed in Annex A of this report.

The lessions we learned from OPAL 58 are listed in Annex B attached to this report.

EXERCISE RECOMMENDATIONS - 1959-60-61

It is important that OCDM publish overall 3-year planning objectives. Further, that there be developed and stated now specific attainments to be achieved within these objectives for each of the years 1959, 1960, and 1961.

In addition to but compatible with the yearly OPAL, numerous small scale training exercises should be conducted within the framework of the national, regional, State, and local plans (where they pertain). These exercises should be directed towards solving specific problems which need to be overcome to meet the standards of the national plan for Civil Defense and Defense Mobilization.

Included in this total program must be tests or problems to determine the extent to which we have overcome the deficiencies in planning procedures, operations and equipment which were manifest in the previous year's OPAL exercise.

The Training Seminar believes that emphasis should be placed in 1959 on:

(a) Strengthening of the working relations and the development of operating procedures between Federal and non-Federal Government entities, including the military, at the local, State and regional levels.

(b) Training of the individual for survival under various evasive action.

Specifically, OPAL 1959 should train and test in three phases:

Phase I (Public participation):

(a) Warning and dissemination of information.

(b) Evasive action decisions and their implementation.

(c) Readiness actions with relation to control centers and command posts.

(d) CONELRAD in operation simultaneously throughout the country.

The Training Seminar strongly recommends that the survival plan for the Washington Metropolitan Area be completed sufficiently in advance of Phase I, OPAL 1959, to be disseminated and tested during Phase I.

The importance of having an effective plan for Washington cannot be over-emphasized. The testing of this plan during Phase I by Washington, including participation by all Federal agencies, will have an invaluable impact in promoting civil defense readiness throughout the nation.

II

Phase II (Local-State-Regional participation):

(a) Damage evaluation.

(b) Determination and reporting of immediate survival actions.

(c) Passing up and down of post-attack information and damage effects through channels.

(d) Command decisions which must be made.

(e) Test the knowledge and training of the military in rendering aid to civil authorities as outlined in the Annex to national plan for civil defense and defense mobilization entitled, "Role of the Military".

(f) Test civil authorities' knowledge and training in civil defense's role in support of the military in emergency.

(g) "Canned" problems for those areas which are not provided with sufficient participation for the exercise.

(h) Test of communications.

This contemplates, especially (d) above, the full testing and training in survival actions, damage assessment, situation analysis, communication, radiological aspects, military role in civil defense and the field of economic controls.

Phase III (Regional-Departmental participation):

(a) Evaluation of Regional actions in Phase II, and review and refinement of national plans.

(b) Decisions at the national level on economic controls, production and redistribution of post-attack resources.

(c) "Canned" problems for those areas not provided adequate participation by the problems.

The concept of the 1959 exercise would permit State Civil Defense Directors to put bombs down in Phase I for their local training to improve State's civil defense efficiency without regard to national target strikes. Phase II and III conversely, should select a bomb strike pattern which will be sufficiently realistic to advance as far as possible total national mobilization and relocation readiness.

PHASE III (National-Regional):

OPAL 1960

(a) Test of the National Plan.

(b) Test of the Regional Plan.

(c) Test of the State, county and local plans.

(d) Inclusion of problems in OPAL 1960 in those areas where deficiency was apparent as a result of OPAL 1959.

OPAL 1961

The concept of OPAL 1961 is to be held in abeyance at least pending the evaluation of OPAL 1959. The 1961 exercise might be based on a preponderantly missile attack with a warning time of from 0 to 30 minutes or whatever would be appropriate missile attack time in 1961.

It bears re-emphasizing that:

(a) Annual OPAL type testing is necessary;

(b) Small scale training exercises within the framework of the national plan and compatible with the announced objectives of the OPAL exercises are necessary, and;

(c) Development and testing of plans must be done with the state of mind that an adequate state of readiness is in fact feasible and attainable.

Mr. President —

~~The purpose of listing the Cabinet Action Status Report~~ we want ~~on the agenda is~~ to call to ~~your~~ the attention of the Cabinet officers the Cabinet Action ~~the yellow Information~~ Status Report ~~Paper~~ which is in ~~your hands~~ the Cabinet books ~~[illegible]~~ this morning under tab. 2.

This is ~~the~~ our seventh status report ~~prepared by the Cabinet Secretariat and covers the period from last March to September 1st~~ and ~~[illegible]~~ gives a brief ¶ showing subsequent action. On each assignment which ~~the President has~~ you have made in Cabinet~~; a brief paragraph is given showing subsequent action~~.

The purpose of the Status Report is to insure follow-through of the President's decisions at Cabinet.

I believe the Cabinet Officers will want to look through this Report to satisfy themselves that the assignments made to their Departments are progressing properly, and to refresh their memories about assignments made to others but which are of official interest to all.

~~Section C on the last page covers assignments which apply to all the Cabinet Members.~~

~~[illegible] all,~~ thank you, ~~Thank you,~~ Mr. President.

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November 5, 1958

The White House

Washington

THE CABINET

Agenda

Thursday, November 6, 1958

EXECUTIVE SESSION: 8:30 AM

REGULAR SESSION: 8:45 AM

1.	Briefing on Internal Security	(Oral)	The Director, Federal Bureau of Investigation
2.	Budget Status Report	(Oral)	The Director, Bureau of the Budget
3.	Current Problems in the Department of Commerce	(Oral)	The Secretary of Commerce

Robert Gray
Secretary to the Cabinet

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MINUTES OF CABINET MEETING

November 6, 1958

The following were present:

President Eisenhower

Executive Session
8:30 to 9:25 a.m.

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Atty Gen. Rogers
PMG Summerfield
Sec. Seaton
Sec. Weeks
Sec. Mitchell
Sec. Flemming

Director Stans
Gov. Hoegh
Amb. Lodge
Adm. Strauss

Gen. Persons

Regular Session
9:25 to 10:20 a.m.

Deputy Sec. Quarles, Defense
Mr. Allen Dulles, CIA
Mr. J. Edgar Hoover, Mr. Bartlett and Mr. Tolson, FBI
Mr. Pay Coyne
Mr. Roger Jones, Budget
Dr. Saulnier, CEA
Asst. Sec. Peterson, Agriculture

Mr. Hagerty (in part)
Mr. Morgan
Mr. Kendall
Gov. Pyle
Mr. Gordon Gray
Mr. Robert Gray
Mr. Harr
Mr. Merriam
Mr. Harlow
Dr. Siciliano
Dr. Paarlberg
Mr. Jack Anderson
Mrs. Wheaton
Gen. Goodpaster
Maj. Eisenhower
Mr. Patterson
Mr. Minnich

Internal Security Briefing - Mr. J. Edgar Hoover distributed a top secret booklet (collected at the end of the meeting) to illustrate the extensive detailed remarks he thereupon made regarding Russian intentions, intelligence techniques, and our counter-intelligence activities. He gave much attention to the matter of double agents and such scientific developments as micro-dots. He noted in passing that there had been a vast increase, since the pertinent Supreme Court decision, in the number of requests for passports by known Communist supporters.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

Cabinet Minutes, November 6, 1958 - page 2

Commerce Department Problems - Sec. Weeks, making his farewell remarks to the Cabinet, noted the following problems: (1) the need for increasing the revenues of the Highway Trust Fund beginning in 1959, either through general revenues or user charges; (2) the continued desirability of getting Congressional authorization to increase rates in the Patent Office and other similar user charges such as that for airways; (3) the possible desirability of reviewing the need in this modern era for subsidizing the maritime industry, especially since the defense requirements have been changed so radically by modern weapons. Mr. Weeks thought the whole field of user charges should be pressed to the limit.

Mr. Weeks concluded by expressing his appreciation of the great privilege of working with the Cabinet. The President promised to extend to him the privileges of the floor whenever he might return to Washington.

LAM

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Robert Gray
Mr. Minnich

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RA - 58-119

November 6, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet on Thursday, November 6, 1958:

1. Briefing on Internal Security

   Information Item Only

2. Budget Status Report

   ACTION:

   Deferred

3. Current Problems in the Department of Commerce

   ACTION:

   a. The Cabinet noted Secretary Week's parting recommendations that:

      i) legislation be submitted to cover the increased costs of the highway construction program;

      ii) other user charge legislation (e.g., for the Patent Office, Airways, and other services) be developed and submitted.

      iii) the U.S. review its program of maritime subsidies, the justification of which has hitherto been its defense essentiality but is now at least questionable.

   b. The President bade farewell to the outgoing Secretary of Commerce and extended to him the privileges of the floor in future Cabinet meetings.

Robert Gray
Secretary to the Cabinet

Approved by the President
November 8, 1958

CABINET PAPER
For Action

~~SECRET~~

CABINET November 6, 1958

EXEC SESSION: Budget

REGULAR SESSION:

1) HOOVER:

Communism is still laying the groundwork for overthrowing the government of the United States.

Party a group of disciplined shock-troops awaiting orders from Moscow.

Revolutionary methods still apply for the U.S. - although~~X~~ of course this fact will be covered over with propaganda about rejection of force and violence.

Loss of CP membership makes no difference -- size has little relation to the importance of the CP's mission.

Communists regard the CP-USA as the most important CP in the western world -- are proud of its weekly publication "The Worker".

Dennis is recognized as the leader of the CP -USA

Emphasis being put on training younger members.

~~ZSZR~~ the CP for its part recognizes the USSR as the supreme Communist fountainhead in the world.

USSR expects to surpass us in agricultural nd industrial production -- Communist China is aiming equally to surpass Great Britain.

Trade embargo with Comm Chi [illegible] in a way has helped her - has made her solve some of her own internal economic problems.

Chiang's army on Taiwan may be unreliable.

The U.S. is the principal enemy.

[illegible]

Espionage which is "legal" (i.e. under diplomatic cover) is very prevalent - and has meant major counter-measures for the FBI -- which the communists are quite worried about.

Satellites and perhaps other countries will now be used for these espionage purposes.

Abel's techniques and methods of entry: false passports, fake birth certificates, soc. sec. cards etc.

FBI programs:
  Surveillance
  Double agents
  Security Index
  Investigating hate groups as well as communists
Help in recent bombings

Integration a major communist penetration target: the recent march on Washington was wholly organized by communists.

Passports -- Supreme Court ruling a problem.

~~Delegations~~ and exchanges: also a problem ~~in terms of help to USSR and satellite economies and the delegations usually include one or more agents.~~

Some Wealthy Americans help support the communist party.

Front groups can flood Washington with letters.

# 2 - deferred

# 2 - SECRETARY WEEKS:

A. Road bill -- we must find some more funds for the highway program -- alternatives: i) user charges (ii) general revenues (iii) slow down construction.

B. Patent office - push user charge legislation -- we have tried for 5 years.

C. Airways User Charges - this legislation must be pushed.

D. Other user charge legislation should be pushed too, e.g. National Parks.

E. Maritime Subsidies -- 15 new lines want "in" -- we should review this whole policy, hitherto justified as a defense measure - in view of the changing nature of warfare.

DE: We shall always extend you the privileges of the floor here...

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Authority MR 76-127 Document #14
By DJH NLE DATE 1/13/77

~~SECRET~~

"drastic reductions"
"balance this budget — take the bush, thorns and all".

DRAFT
11/5/58

MEMORANDUM TO THE CABINET

1959 Budget

1. The original budget figures, and the revisions in the Midyear Review issued early in September, were as follows:

	Original Budget	Midyear Review
	(in billions)	
Revenue	$74.4	$67.0
Expenditures	73.9	79.2
Surplus or deficit (-)	.5	-12.2

2. Of the revenue decrease, $700 million is due to tax reductions; the balance is due to lower tax collections, principally corporation income taxes.

3. The increase in expenditures breaks down generally as follows (billions):

		Increase over		
		Original Budget		1958 Actual
Department of Agriculture		+$1.9		+$2.0
Department of Defense (military)		+ .5		+1.8
Post Office		+ .6		+ .1
Antirecession:		+2.0		+2.0
HHFA	(+1.0)		(+1.3)	
Labor (mostly unemployment benefits)	(+ .6)		(+ .5)	
Other	(+ .4)		(+ .2)	
Other (net)		+ .3		+1.4
Total		+5.3		+7.3

4. Since the early September report there have been some further developments:

   (a) Current forecasts of national income indicate the possibility that receipts may improve, perhaps by as much as $1 billion.

(b) On the other hand, expenditure trends are upward in interest, agriculture, public works, and some other accounts. The total increase may be $800 million.

(c) Commitments to assist international banking and development institutions may increase expenditures by another $1.5 billion or slightly more.

5. On the basis of these new estimates the deficit for 1959 may be about $13.5 billion.

1960 Budget

1. If favorable economic trends continue, revenues would increase substantially. Present estimates are in a range of $74 to possibly $77 billion. This possibility is supported by the experience in fiscal 1956, when revenues increased $8 billion over the recession level of fiscal 1955.

2. Requests of the departments and agencies to the Bureau of the Budget amount to approximately $85 billion in expenditures and close to $90 billion in new obligational authority. These are now being reviewed.

Action required

1. When this administration took office in 1953, the Truman budget for fiscal 1954 called for expenditures of about $78 billion. This was reduced voluntarily by the departments and agencies and actual expenditures were $68 billion.

2. The present large deficit situation has created or accentuated many serious problems:

(a) Difficulties in debt management and higher interest costs.

(b) Inflationary fears.

(c) Movement of gold out of the country.

3. To meet this situation, the Director of the Bureau of the Budget has been asked to develop a balanced budget for 1960 for review by the President.

4. This can be accomplished. It means that (a) present programs must be reduced wherever practicable and (b) that increases in present programs, and legislative proposals for new programs, can be considered only if they are clearly required to meet immediate and critical national needs.

5. Under the circumstances it is necessary for the head of each agency to take the same initiative and apply the same determination as in 1953. All are asked to review their budget submissions and amend them in line with this policy. The Director of the Bureau of the Budget will confer with each department and agency head within the next ten days.

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THE WHITE HOUSE
WASHINGTON

November 5, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for November 6, 1958

The following is planned for tomorrow's Cabinet agenda:

The meeting will begin with a 15-minute Executive Session in order to allow for a frank discussion of the 1960 Budget.

The regular agenda will then be:

1. Briefing on Internal Security (Director Hoover)

Mr. Hoover will give you and the Cabinet an up-to-date status report on internal security problems.

Estimated time: 30 minutes

2. Budget Status Report (Director Stans)

In addition to the Executive Session discussion, Director Stans will at this time present the Bureau's periodic report on FY 1959 spending and personnel levels.

Estimated time: 8 minutes

3. Current Problems in the Commerce Department (Secretary Weeks)

This will be Secretary Weeks' last Cabinet meeting. He will summarize the problems which he leaves behind in the Commerce Department and make general recommendations for future action.

Estimated time: 30 minutes

Robert Gray
Secretary to the Cabinet

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CA - 58-120

November 19, 1958

The White House
Washington

THE CABINET

Agenda

8:30 AM, Thursday, November 20, 1958

1.	Status Report on FY 1959 Expenditures and Personnel Levels	(Oral)	The Director, Bureau of the Budget
2.	Revised Recommendations on Interest Rates Paid and Charged by Government Lending Agencies and Interest Rates Charged on Guaranteed and Insured Loans	CP - 58-75/3	The Director, Bureau of the Budget
3.	Preliminary Outline of the 1959 Economic Program	(Oral)	The Chairman, Council of Economic Advisers

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

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E.O. 11652, Section 1
By DWC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

November 20, 1958
8:45 A. M. -- 10:05 A. M.

The following were present:

President Eisenhower

Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Asst. Sec. Ernst
(for Sec. Seaton)
Sec. Benson
Sec. Strauss
Sec. Mitchell
Sec. Flemming

Director Stans
Gov. Hoegh

Deputy Sec. Quarles, Defense
Mr. McCone, AEC
Dr. Saulnier, CEA
Mr. Roger Jones, Budget
Amb. Randolph Burgess

Mr. Morgan
Mr. Merriam
Mr. Kendall
Mr. Jack Anderson
Dr. Paarlberg
Mr. Siciliano
Mrs. Wheaton
Dr. Killian
Mr. Harlow
Gen. Goodpaster
Maj. Eisenhower
Mr. Patterson
Mr. Minnich

Budget Status Report - Mr. Stans reported that Federal expenditures during the third quarter were $19-1/2 billion as compared to $18 billion in 1957, primarily as a result of Agriculture Department operations, but that Defense spending would soar in the fourth quarter as a result of the acceleration decided last spring.

Mr. Stans was enthusiastic about the results of the requested 2% personnel reduction, which actually had produced a 1.4% reduction thus far. He noted particularly that the large agencies, like Defense and Agriculture, had accomplished their mission.

Regarding the 1960 budget, Mr. Stans noted that agency consultations were proceeding rapidly and that the objectives set by the President at the last Cabinet meeting (Executive Session) would be met.

The President stated that Budget would put out letters to the agencies giving approved budget levels and that the agencies should appeal those

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By BHC NLE, Date 8-11-76

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levels to the President only when convinced that national security would be impaired without an increase. He asserted that agency heads must see clearly that we must adjust programs that are not vital even while protecting those that are. He emphasized that all the evidence that he receives points to great national interest in reducing Federal expenditures.

Mr. Stans noted that the Davis Subcommittee would be calling hearings and would want to see the proof that these claimed personnel reductions had actually been accomplished.

Interest Rates (CP 58-75/3) - Mr. Stans recalled the decision last spring to postpone Administration request for blanket legislation. He recounted the suspicion with which the Senate Banking and Currency Committee had treated all discussions of interest rate changes. He reported that Treasury and the CEA concurred in Budget's findings in a new study to the effect that blanket legislation is not necessary since there are only a few areas where the amount of money involved or the level of interest charged really demand revision. He therefore recommended that instead of omnibus legislation all Federal agencies should seek needed changes individually and new programs should be kept in line with the approved policy insofar as Executive action is concerned.

The President believed this approach made good sense.

Sec. Benson commented on the special sensitivity of REA loans, the desire of Congressmen to avoid singling out REA, and his own grave doubts that REA loans could be changed so long as any domestic programs are exempt from interest. Nevertheless, Mr. Benson continued to think the change was needed. The President concurred in Mr. Benson's comments but emphasized that the REA had been established to carry electricity to the farmers, that that was pretty well accomplished, and that the REA had now gotten into the business of producing power for industry -- an entirely different matter. The President felt that Congress could be made to understand that the problem was much broader than just singling out REA. Mr. Benson thought that it might be possible to get the change applied to any new loans.

Preliminary View of the 1959 Economic Program - Dr. Saulnier reported that the agencies had largely submitted their proposals for economic growth and that a program was beginning to shape up even though a good many gaps remained. He stated that present evidence regarding the economic recovery of the Nation is that growth is tending to slow down a bit.

In a discussion of price levels, Dr. Saulnier made clear that every possible effort is made to correct the cost of living index so as to take account of "built-in maid services". He believed the index

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By DHC NLE, Date 8-11-76

properly should reflect the high cost of living -- not the cost of high living. Sec. Mitchell called attention to the change in buying habits as the big problem in maintaining the index. He stated a new survey of buying habits will soon be initiated.

Dr. Saulnier then analyzed the recent growth of Federal expenditures, and focussed on FNMA mortgages and Agriculture stabilization payments as the two areas involving large funds and possibly open to policy changes. The housing interest rate was thus a point of major interest.

Dr. Saulnier listed eleven policy items needing attention (ranging from area assistance to unemployment insurance coverage). He then focussed on things the Government might do toward controlling the wage-price spiral -- emphasizing control of spending, elimination of deficits, improving budget procedures (item veto?), coordination of Federal credit programs, pursuing a non-inflationary monetary and credit policy, etc., etc. He cited the work of the Mitchell Committee and indicated that it would be very helpful in the Economic Report.

Sec. Mitchell stated the Committee's view that there is no simple solution to this difficult problem in a nation committed to free enterprise and collective bargaining. Nevertheless, the Committee hoped to develop a package of recommendations within the next several weeks.

The President noted recent trends in foreign trade where the United States seems to be pricing itself out of the market. He then noted a recommendation that there be a broadly based Executive group that would be similar to the NSC and would devote itself to handling economic problems. Dr. Saulnier thought the Cabinet already served this purpose, but the President believed some difficulties ensued from trying to crowd all Cabinet members into a particular subject when their own interests might not be pertinent -- as for instance, the Department of Justice.

United Givers Fund - Mr. Rogers happily reported that the Government unit had exceeded its quota by 10%.

lam

L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman (2) ✓
- Mr. Robert Gray
- Mr. Minnich

Exhibit 463
Determination and Notice
of Allowances

figures used herein are fictitious

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington 25, D. C.

My dear Mr. ______________:

Your budget estimates for the fiscal year 1960 and the information presented by your representatives have been given careful analysis. The following recommendations for your agency's appropriations will be included in the President's budget:

	1959 pay increase supplemental	1960
Salaries and expenses	$900,000	$15,690,000
Investigation of United States citizens for employment by international organizations	60,000	900,000
Annuities under special acts	0	2,354,000

To be included when applicable

[List other amounts proposed for later transmission, both for new programs and for legislative reductions, if final decisions have been reached.]

These amounts exclude permanent and indefinite appropriations (estimated at $________) [and amounts proposed for later transmission].

Members of the Bureau of the Budget staff will give to your budget officer details relating to these amounts. Please have your budget officer revise the details for 1960 in the budget schedules to correspond with the approved estimates. In addition, obligations and expenditures reported for 1959 should be revised, if necessary, to reflect significant changes in your financial plans. New green sheets or narrative statements should not be prepared unless it is impracticable to make revisions of the original presentations. The revised schedules should be returned within five working days.

The recommendations of the President, the estimates submitted, and any other information used in the formulation of these recommendations are to be considered as privileged until the budget message is presented to Congress, except that in those cases where the estimates are released to the Committees on Appropriations prior to that time, the estimates may be discussed with members and staff of those committees. In such cases you will be advised before the estimates are released by us.

Sincerely yours,

Director

Honorable ________________
Chairman, Civil Service Commission
Washington 25, D. C.

(October 30, 1958)

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RA - 58-120

November 25, 1958

THE WHITE HOUSE

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Thursday, November 20, 1958:

1. Status Report on FY 1959 Expenditures and Personnel Levels

ACTION:

a. The Cabinet noted the presentation by the Director of the Bureau of the Budget. After complimenting the Department and agency heads for their cooperation in the effective campaign to reduce FY 1959 Federal personnel levels by 2%, he stressed the importance of their taking any remaining actions before testimony begins on the coming Congressional hearings on this subject.

b. With respect to the FY 1960 budget, the President stated that he is sending a letter indicating his approval of appropriations allotments to each Department and agency. These are to be considered final unless appeal is made to him on the grounds that the national security or welfare may be impaired.

2. Revised Recommendations on Interest Rates Paid and Charged by Government Lending Agencies CP - 58-75/3

and

Interest Rates Charged on Guaranteed and Insured Loans

ACTION:

Cabinet Paper 58-75/3 was approved.

3. Preliminary Outline of the 1959 Economic Program

ACTION:

The Cabinet noted the comprehensive presentation by the Chairman of the Council of Economic Advisers, and particularly:

a) His recommendation that this year's Economic Report principally stress the need for:

   i. Vigorous, sustainable economic growth

   ii. A stable dollar

b) His listing of the eleven economic program matters which are outstanding for next year;

c) His emphasis on the need for remedial legislation in the fields of agriculture and housing;

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d) His six points on what government can do to help control the wage-price spiral:

   i. Control Spending and Eliminate Deficits

      Set an expenditure ceiling
      Propose a tax to balance the Highway Fund
      Increase postal revenues
      Close tax loopholes
      Improve budget-making procedures:
         the item veto; single appropriation bill
      Establish machinery to coordinate Federal credit programs

   ii. Pursue a non-inflationary monetary and credit policy

      Clarify authority for 100% margin requirements
      Extend margin requirements to purchases of
         government securities

   iii. Take positive steps to avoid underwriting the spiral through:

         Procurement
         Subsidies
         Rate making

   iv. Clarify the anti-trust law prohibition of union restraints on product markets

      (Recommended by the Attorney General's National Committee to Study the Anti-Trust Laws, 1955)

   v. Amend the Employment Act to make "reasonable price stability" an explicit goal of Federal economic policy

   vi. Enlist the support of professional associations in a major improvement of federal statistics on:

         Prices
         Wages
         Productivity

e) The importance of Secretary Mitchell's coming report on anti-inflationary measures (cf. RA - 58-113, Item 1-a-ii);

f) Chairman Saulnier's belief that the Cabinet itself is an "Economic Council" which sufficiently meets the need for broad discussion and coordination of U. S. domestic economic policies;

g) The President's concern with the effect of higher U. S. prices on our export markets.

ADDITIONAL ITEMS:

A. United Givers Fund

ACTION:

The Cabinet noted the Attorney General's announcement that the Government Unit is over its quota in the current UGF Campaign.

Robert Gray
Secretary to the Cabinet

Approved by the President

November 25, 1958

THE WHITE HOUSE
WASHINGTON

November 19, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for November 20, 1958

The following is planned for tomorrow's Cabinet meeting:

1. Status Report on FY 1959 Expenditures and Personnel Levels (Director Stans)

This is the periodic report which Director Stans gives to reveal actual expenditures and personnel levels for the current fiscal year. It will include a report on the success of the two-percent reduction campaign and some examples of lack of support for the budget last year. The purpose of the presentation is to assist you and the Cabinet in monitoring and controlling current spending and hiring.

2. Revised Recommendations on Interest Rates Paid and Charged by Government Lending Agencies and Interest Rates Charged on Guaranteed and Insured Loans (Director Stans)

Last spring the Cabinet approved a basic policy on supporting a modified omnibus bill which, with a few exceptions, would set floors under government interest rates.

Budget is now proposing that the effort be continued but by means of separate bills for each program affected (especially HHFA, REA, and VA loan programs).

3. Preliminary Outline of the 1959 Economic Program (Dr. Saulnier)

Dr. Saulnier's presentation will include the budget-revenue picture 1953-61, and an identification of the areas in which expenditures have ballooned in the last few years.

Robert Gray

Robert Gray
Secretary to the Cabinet

CABINET AGENDA FOR NOVEMBER 20

Budget: 1. **Review of the Current Economic Situation** (Dr. Saulnier)

The Administration's calculation of revenue and expenditure balance for FY 1959 and FY 1960 naturally depends heavily on the best available prognosis of the state of the American economy now and looking ahead into the coming months. The Cabinet has not heard a general economic review since last July 18.

Legislation: 2. **Airport Construction Aid** (General Quesada)

The President's veto message of September 2, 1958 stated: "At the next session of the Congress, the Administration will recommend a transitional program to provide for the construction of urgent airport projects that are essential to an adequate national aviation facilities system."

General Quesada has been working with the Bureau of the Budget in preparation for his presentation to the Cabinet.

Budget: 3. **Periodic Report from Budget on FY '59 Expenditure and Personnel Levels** (Mr. Stans)

In getting ready for the FY 1960 budget, the President and the Cabinet will find it necessary also to keep an eye on current spending and hiring.

Legislative & Budget: 4. **Interest Rates on Government Lending Programs** (Mr. Stans)

The Cabinet concurred in and the President approved the basic policy paper on this subject (CP - 58-75/2) last Spring. At that time it was decided to defer implementation of the paper's legislative proposals. With the legislative program now being formulated, Director Stans will present an additional paper outlining the steps, especially legislation, which should be taken to execute the original policy decision.

State of the Union

5. Improving the Publication and Dissemination of Scientific and Technical Information

Organization for Science and Research in Government (Dr. Killian)

Last year's State of the Union Message was devoted in large measure to defense and scientific matters. If these Cabinet papers are approved, the President in his State of the Union Message can cite the undertakings they outline as continuing evidence of Administration diligence in a free world scientific community second to none.

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CP - 58-75/3

November 14, 1958

The White House

Washington

THE CABINET

Revised Recommendations on

Interest Rates Paid and Charged by Government Lending Agencies

and

Interest Rates Charged on Guaranteed and Insured Loans

For consideration by the Cabinet, attached is a paper on the above subjects, prepared by the Director of the Bureau of the Budget.

This paper supersedes CP - 58-75/2 which received the general approval of the President at the Cabinet meeting of March 24, 1958 (RA - 58-99, Item 2-c).

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED CP - 58-75/3

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THE CABINET

Revised Recommendations on

Interest Rates Paid and Charged by Government Lending Agencies

and

Interest Rates Charged on Guaranteed and Insured Loans

Problem: Should the administration recommend omnibus legislation on each of the above subjects, or should the emphasis be placed on proposing increases for individual programs?

Discussion: At the March 24, 1958 Cabinet meeting, the President generally approved two omnibus bills dealing with flexible interest rates (A) paid and charged by Government lending agencies and (B) charged on guaranteed and insured loans. He decided, however, that no action should be taken for the time being.

The Bureau of the Budget has reviewed the subject and believes that the policy of obtaining more realistic and flexible interest rates could probably be more successfully achieved by seeking every appropriate opportunity to propose needed changes for individual programs, and by keeping new programs in line with the approved policy, rather than by recommending omnibus legislation covering all programs.

A. Our major reasons for preferring separate legislation for each direct loan program are:

(1) The omnibus bill as previously approved would affect only two present major programs. The attached table (Annex A) indicates that on the basis of new commitments in the fiscal year 1958, 74 percent of Federal loans already meet minimum requirements of the bill and an additional 13 percent are excluded from it by exemptions previously approved. Only 13 percent are now below minimum requirements; more than four-fifths of this 13 percent is accounted for by rural electrification and telephone loans and college housing loans.

(2) Past experience, and especially developments during 1958, indicate that an omnibus bill would have virtually no chance of congressional approval. If the Congress acts at all, it would very probably add even more exemptions than are now in the bill.

(3) Several requests for exemptions for minor programs, e.g., by the Veterans Administration, the Department of the Interior, and the Housing and Home Finance Agency, are still unresolved.

(4) In new programs, the requirement of adequate interest rates could eventually have a considerable effect, whether or not unduly low interest rates in existing programs can be raised.

B. Our major reasons for preferring separate bills for individual loan guaranty and insurance programs are:

(1) An omnibus bill would affect only a few programs. The attached table (Annex B) indicates that on the basis of new commitments in 1958, 15 percent of Federal loan guaranty and insurance programs have no legislative ceiling and 63 percent have workable legislative ceilings. Only 22 percent have restrictive legislative ceilings; about four-fifths of this 22 percent is accounted for by housing loans guaranteed by the Veterans Administration.

(2) Separate bills could be tied more clearly to the needs of specific programs, thus minimizing congressional fears that broad grants of administrative discretion would permit private lenders to charge excessive interest rates.

(3) Separate bills could be presented at a time when maximum interest rates on specific programs are clearly below prevailing market rates. Important increases were thus obtained during the last session of Congress.

(4) By emphasizing adequate ceilings or standards for new programs, this approach in the long run would have major impact even if some restrictive ceilings on existing programs are not lifted.

Recommendations: That the President approve the following policy for more realistic and flexible interest rates for both direct loans and insured and guaranteed loans:

(1) All Federal agencies should seek every appropriate opportunity to propose legislation authorizing needed changes in individual programs.

(2) Executive action on new programs should be kept in line with the approved policy.

(3) The administration should not recommend omnibus legislation.

Implementation:

1. If the President approves this recommendation, all Federal agencies will seek every appropriate opportunity to transmit to the Congress legislation authorizing needed changes in interest rate provisions for individual programs and will reflect these decisions in their reports to the Congress on future loan and loan guaranty and insurance proposals. The Bureau of the Budget will also follow these policies in clearance of legislation dealing with present and future programs.

2. For the next session of Congress, the emphasis should be placed on programs with greatest need for more flexible interest rates, including:

Housing and Home Finance Agency:
    College housing loans
    Insured rental and cooperative mortgages;
Department of Agriculture: rural electrification
    and telephone loans; and
Veterans Administration: direct and guaranteed loans.

Concurrences: The Chairman of the Council of Economic Advisers and the Treasury Department.

Attachment: Tables showing relation of previously approved omnibus legislation to present interest rates for (a) direct loan programs, and (b) loan guaranty and insurance programs.

TABLE 1. FEDERAL LOAN PROGRAMS

INTEREST RATES CHARGED TO NEW BORROWERS, MINIMUM RATES UNDER OMNIBUS INTEREST BILL, AND NEW COMMITMENTS

Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments, Fiscal Year 1958 ($ millions)
	Actual	Minimum under omnibus bill	
A. Programs Generally Meeting Minimum Requirements			
Department of Agriculture			
Commodity Credit Corporation	3½,4%	2-7/8,3-5/8%	$ 771
Farmers' Home Administration	4 to 5	3-5/8	226
Export-Import Bank	5 to 6	3-5/8	807
Housing and Home Finance Agency			
Public facility loans	4½,4-7/8	3-5/8	23
Federal National Mortgage Association	4 to 5¼	3-5/8	1,354
Public Housing Administration	3-1/8 1/	3-5/8	256
Urban Renewal Administration	3-5/8,3-3/4	3-5/8,3-3/4	140
Small Business Administration			
Business loans	5½	3-5/8	147
Veterans Administration			
Direct housing loans	4-3/4	3-5/8	200
Others (7 programs)			6
		Subtotal	$3,930

1/ Adjusted periodically to cover interest costs.

TABLE 1. FEDERAL LOAN PROGRAMS (Continued)

INTEREST RATES CHARGED TO NEW BORROWERS, MINIMUM RATES UNDER OMNIBUS INTEREST BILL, AND NEW COMMITMENTS

Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments, Fiscal Year 1958 ($ millions)
	Actual	Minimum under omnibus bill	
B. Programs Excluded from Omnibus Bill			
Interior - Irrigation loans	0	3-3/4%	$ 82
Department of State International Cooperation Administration	3½;5 to 6	3-5/8	422
Development Loan Fund	3½;5 to 6	3-5/8	164
		Subtotal	$ 668

TABLE 1. FEDERAL LOAN PROGRAMS (Concluded)

INTEREST RATES CHARGED TO NEW BORROWERS, MINIMUM RATES UNDER OMNIBUS BILL, AND NEW COMMITMENTS

Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments, Fiscal Year 1958 ($ millions)
	Actual	Minimum under omnibus bill	
C. Programs Below Minimum Requirements			
Department of Agriculture			
Rural Electrification Administration	2%	3-3/4%	$ 331
Farmers' Home Administration (Disaster loans)	3%	3-5/8	64
Housing and Home Finance Agency			
College housing loans	2-7/8	3-3/4	244
Others (8 programs)			34
Subtotal			$ 673
Grand Total			$5,271

CABINET PAPER—PRIVILEGED Revised page of Cabinet Paper 58-75/3

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TABLE 2. FEDERAL LOAN GUARANTY AND INSURANCE PROGRAMS

INTEREST RATES CHARGED NEW BORROWERS, LEGISLATIVE CEILINGS AND NEW COMMITMENTS

Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments, Fiscal Year 1958 ($ millions)
	Actual	Legislative ceiling	
A. Programs Without Legislative Ceilings			
Department of Agriculture			
Commodity Credit Corporation			
Price support loan guaranty	2½%	None	$ 1,363
Department of Defense (and other)			
Defense production loan guaranties	6	None	155
Housing and Home Finance Agency			
Public Housing Administration			
Guaranteed development loans	1.55 to 2.34	None	206
Guaranteed longterm bonds	2-7/8 to 3	None	137
Others (7 programs)			116
		Subtotal	$ 1,977

Revised page of
Cabinet Paper
58-75/3

TABLE 2. FEDERAL LOAN GUARANTY AND INSURANCE PROGRAMS (Continued)

INTEREST RATES CHARGED NEW BORROWERS, LEGISLATIVE CEILINGS AND NEW COMMITMENTS

Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments, Fiscal Year 1958 ($ millions)
	Actual	Legislative ceiling	
B. Programs With Workable Legislative Ceilings			
Department of Commerce			
Insured ship mortgages	$4\frac{1}{4}$ to 5%	6%	$ 192
Housing and Home Finance Agency			
Federal Housing Administration			
Insured property improvement loans	4 to 5 Discount	4 to 5 Discount	865
Insured sales mortgages under Secs. 203, 220, 221, 222 and 809	$5\frac{1}{4}$	6	6,962
		Subtotal..	$8,019

Revised page of
Cabinet 58-75/3

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Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments Fiscal Year 1958 ($ millions)
	Actual	Legislative ceiling	
C. Programs With Restrictive Legislative Ceilings			
Department of Agriculture			
Farmers' Home Administration			
Insured mortgage loans	3½%	4%	$ 27
Housing and Home Finance Agency			
Federal Housing Administration			
Insured armed services mortgages	4¼	4½	429
Insured rental mortgages	4½	4½	67
Insured cooperative mortgages	4½,5	5	170
Veterans Administration			
Guaranteed loans	4-3/4	4-3/4	2,174
		Subtotal....	$2,867
		Grandtotal...	$12,863

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CP - 58-75/3

November 20, 1958

The White House
Washington

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

and

Interest Rates Charged on Guaranteed and Insured Loans

The attached approved paper is circulated for action by the Departments and agencies concerned.

The recommendations of this paper were approved at the Cabinet meeting of November 20, 1958 (RA - 58-120, Item 2).

This approved paper supersedes Cabinet Paper 58-75/2 of March 22, 1958.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

CABINET PAPER—PRIVILEGED CP - 58-75/3

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The White House

Washington

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

and

Interest Rates Charged on Guaranteed and Insured Loans

Problem: Should the administration recommend omnibus legislation on each of the above subjects, or should the emphasis be placed on proposing increases for individual programs?

Discussion: At the March 24, 1958 Cabinet meeting, the President generally approved two omnibus bills dealing with flexible interest rates (A) paid and charged by Government lending agencies and (B) charged on guaranteed and insured loans. He decided, however, that no action should be taken for the time being.

The Bureau of the Budget has reviewed the subject and believes that the policy of obtaining more realistic and flexible interest rates could probably be more successfully achieved by seeking every appropriate opportunity to propose needed changes for individual programs, and by keeping new programs in line with the approved policy, rather than by recommending omnibus legislation covering all programs.

A. Our major reasons for preferring separate legislation for each direct loan program are:

(1) The omnibus bill as previously approved would affect only two present major programs. The attached table (Annex A) indicates that on the basis of new commitments in the fiscal year 1958, 74 percent of Federal loans already meet minimum requirements of the bill and an additional 13 percent are excluded from it by exemptions previously approved. Only 13 percent are now below minimum requirements; more than four-fifths of this 13 percent is accounted for by rural electrification and telephone loans and college housing loans.

(2) Past experience, and especially developments during 1958, indicate that an omnibus bill would have virtually no chance of congressional approval. If the Congress acts at all, it would very probably add even more exemptions than are now in the bill.

(3) Several requests for exemptions for minor programs, e.g., by the Veterans Administration, the Department of the Interior, and the Housing and Home Finance Agency, are still unresolved.

(4) In new programs, the requirement of adequate interest rates could eventually have a considerable effect, whether or not unduly low interest rates in existing programs can be raised.

B. Our major reasons for preferring separate bills for individual loan guaranty and insurance programs are:

(1) An omnibus bill would affect only a few programs. The attached table (Annex B) indicates that on the basis of new commitments in 1958, 15 percent of Federal loan guaranty and insurance programs have no legislative ceiling and 63 percent have workable legislative ceilings. Only 22 percent have restrictive legislative ceilings; about four-fifths of this 22 percent is accounted for by housing loans guaranteed by the Veterans Administration.

(2) Separate bills could be tied more clearly to the needs of specific programs, thus minimizing congressional fears that broad grants of administrative discretion would permit private lenders to charge excessive interest rates.

(3) Separate bills could be presented at a time when maximum interest rates on specific programs are clearly below prevailing market rates. Important increases were thus obtained during the last session of Congress.

(4) By emphasizing adequate ceilings or standards for new programs, this approach in the long run would have major impact even if some restrictive ceilings on existing programs are not lifted.

Recommendations: That the President approve the following policy for more realistic and flexible interest rates for both direct loans and insured and guaranteed loans:

(1) All Federal agencies should seek every appropriate opportunity to propose legislation authorizing needed changes in individual programs.

(2) Executive action on new programs should be kept in line with the approved policy.

(3) The administration should not recommend omnibus legislation.

Implementation:

1. If the President approves this recommendation, all Federal agencies will seek every appropriate opportunity to transmit to the Congress legislation authorizing needed changes in interest rate provisions for individual programs and will reflect these decisions in their reports to the Congress on future loan and loan guaranty and insurance proposals. The Bureau of the Budget will also follow these policies in clearance of legislation dealing with present and future programs.

2. For the next session of Congress, the emphasis should be placed on programs with greatest need for more flexible interest rates, including:

Housing and Home Finance Agency:
    College housing loans
    Insured rental and cooperative mortgages;
Department of Agriculture: rural electrification
    and telephone loans; and
Veterans Administration: direct and guaranteed loans.

Concurrences: The Chairman of the Council of Economic Advisers and the Treasury Department.

Attachment: Tables showing relation of previously approved omnibus legislation to present interest rates for (a) direct loan programs, and (b) loan guaranty and insurance programs.

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TABLE 1. FEDERAL LOAN PROGRAMS

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Agency and Program	Interest Rates for New Borrowers, October 1958		New Commitments, Fiscal Year 1958 ($ millions)
	Actual	Minimum under omnibus bill	
A. Programs Generally Meeting Minimum Requirements			
Department of Agriculture			
Commodity Credit Corporation	3½,4%	2-7/8,3-5/8%	$ 771
Farmers' Home Administration	4 to 5	3-5/8	226
Export-Import Bank	5 to 6	3-5/8	807
Housing and Home Finance Agency			
Public facility loans	4½,4-7/8	3-5/8	23
Federal National Mortgage Association	4 to 5¼	3-5/8	1,354
Public Housing Administration	3-1/8 1/	3-5/8	256
Urban Renewal Administration	3-5/8,3-3/4	3-5/8,3-3/4	140
Small Business Administration			
Business loans	5½	3-5/8	147
Veterans Administration			
Direct housing loans	4-3/4	3-5/8	200
Others (7 programs)			6
		Subtotal	$3,930

1/ Adjusted periodically to cover interest costs.

CABINET PAPER

For Action

TABLE 1. FEDERAL LOAN PROGRAMS (Continued)

INTEREST RATES CHARGED TO NEW BORROWERS, MINIMUM RATES UNDER OMNIBUS INTEREST BILL, AND NEW COMMITMENTS

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Others (8 programs)			34
		Subtotal	$ 673
		Grand Total	$5,271

Revised page of
Cabinet Paper
58-75/3

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Others (7 programs)			116
Subtotal			$ 1,977

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58-75/3

TABLE 2. FEDERAL LOAN GUARANTY AND INSURANCE PROGRAMS (Continued)

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CABINET PAPER

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Cabinet 58-75/3

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		Subtotal....	$2,867
		Grandtotal...	$12,863

Telephone conversation between Steve Saulnierand R. Gray

I have had a set of charts put together for us and I think they will be helpful. It seemed to me that it would be a little more graphic to do it that way rather than try to talk it out.

Charts: First merely states what I think we ought to describe as our goal. Vigorous economic growth and a stable dollar.
2 charts: First one on GNP showing where we are and what we mean by economic growth. Second, a chart on the price level which will illustrate the problem which we have in price level change over the last year (or the problem that we don't have).
I follow this with three charts on budget. First, showing the relationship between expenditures and revenues (1953-61), assuming a ceiling of expenditures at $80 billion; what does this mean in terms of budgetary outcome given the reasonable expenditures as to revenues. Next, a chart showing the major reason why expenditures rose between 1958 and 1959. Then, two charts showing the two major non-defense items: housing and agriculture. Very graphic pictures of how expenditures in those two areas have ballooned. They will bring out quite sharply the need for remedial legislation in both areas.

On the basis of that, I have a chart ~~contain~~ identifying the major policy issues in the legislative program. I have just listed them - there are about 8 or 9.

Then I have three charts on the wage-price spiral and what government can do. Here I am really giving a kind of ~~pre~~ preliminary ~~report~~ report of what's been going on in connection with this Mitchell Committee. I think it would be a good idea if , at that point, I invite him to comment on the work of that committee.

THE 1959 ECONOMIC PROGRAM

GOALS

1. Vigorous, Sustainable Economic Growth
2. A Stable Dollar

MAJOR POLICY ISSUES

Area Assistance

Public Housing

Urban Renewal

Water Resources Policy

Interest Rate Legislation

Small Business Aids

Anti-Trust Changes

Labor-Management Relations Legislation

Financial Reporting by Unions

Minimum Wage Coverage

Unemployment Insurance Coverage

Library

THE WAGE - PRICE SPIRAL

WHAT GOVERNMENT CAN DO:

1. Control Spending and Eliminate Deficits

   Set an expenditure ceiling

   Propose tax to balance Highway Fund

   Increase postal revenues

   Close tax loopholes

   Improve budget-making procedures:
   the item veto; single appropriation bill

   Establish machinery to coordinate Federal credit programs

2. Pursue a Non-Inflationary Monetary and Credit Policy

   Clarify authority for 100% margin requirements

   Extend margin requirements to purchases of government securities

3. Take Positive Steps to Avoid Underwriting the Spiral through:

   Procurement

   Subsidies

   Rate making

[Tariffs & stockpiling should be added here.
per SS]

THE WAGE - PRICE SPIRAL (Continued)

4. Clarify the Anti-Trust Law Prohibition of Union Restraints on Product Markets

   (Recommended by the Attorney General's National Committee to Study the Anti-Trust Laws, 1955)

5. Amend the Employment Act to Make "Reasonable Price Stability" an Explicit Goal of Federal Economic Policy

6. Enlist the Support of Professional Associations in a Major Improvement of Federal Statistics on:

   Prices
   Wages
   Productivity

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CA - 58 - 121

December 5, 1958

The White House

Washington

THE CABINET

Agenda

Friday, December 5, 1958 - 9:00 AM

1.	Improving the Publication and Dissemination of Scientific Information in The United States	CP - 58-88	The Special Assistant for Science and Technology
2.	Improving the Planning and Management of the Scientific and Technological Programs of the Federal Government	CP - 58 - 86	The Special Assistant for Science and Technology
3.	Area Assistance Legislation	(Oral)	The Secretary of Commerce; The Under Secretary of Commerce

Robert Gray
Secretary to the Cabinet

CABINET PAPER

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E.O. 11652, Section 1
By 8HC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

December 5, 1958
9:00 A. M. -- 10:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Mr. Dulles)
Sec. Anderson
Deputy Sec. Quarles
(for Mr. Wilson)
Atty Gen Rogers
Deputy PMG Sessions
(for Mr. Summerfield)
Under Sec. Bennett
(for Mr. Seaton)
Sec. Benson
Sec. Strauss
Sec. Mitchell
Sec. Flemming

Gen. Persons
Mr. Morgan
Dr. Killian (in part)
Mr. Gordon Gray (in part)
Mr. Kendall
Mrs. Wheaton (in part)
Mr. Siciliano
Mr. Merriam
Dr. Paarlberg
Gen. Goodpaster
Major Eisenhower
Mr. Harr (in part)
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Deputy Director Roger Jones
(for Mr. Stans)
Gov. Hoegh
Amb. Lodge

Under Sec. F. H. Mueller, Commerce
Mr. Mumford, Library of Congress (in part)
Dr. Saulnier
Dr. Alan Waterman, NSF (in part)
Dr. Glennan (in part)
Mr. McCone, AEC (in part)
Dr. Emmanuel Piore (in part)
Mr. Frank Naughten (in part)
Mr. Bob Kreidler (in part)
Dr. Burton Adkinson (in part)

Publication of Scientific Information (CP 58-88) - Dr. Killian first reviewed progress during the past year in developing public interest, support, and improved management in matters scientific. He recalled the President's

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speeches in Oklahoma City, the District of Columbia, as also the State of the Union Message. He noted the transfer of the Science Advisory Committee, the establishment of NASA, enactment of the Defense Education Program, creation of ARPA within the Defense Department, strengthening of National Science Foundation Scholarship and Teaching programs, the harnessing and advanced training of scientific manpower, creation of a Science Adviser and Science Attaches within the State Department framework, and contributions internationally through the IGY, NATO, Atomic Energy activities and the exchange of scientific visits between the United States and Russia. Dr. Killian stressed that much remains to be done as regards increasing public awareness of the problem, improving scientific and engineering education, expanding exchanges of personnel among free world nations, encouraging private support of scientific undertakings and the availability of capital for science laboratories and programs, greater attention to new or neglected fields such as meteorology and oceanography, publication and distribution of scientific information, and finally government planning and management in this entire area. Dr. Killian stated the two last named problems would be the focus for discussion at this meeting.

Regarding publication and dissemination of information, Dr. Killian emphasized that the Soviet produces more technical writing than any other country and that this, combined with the potential of Red China, created a great translation problem. He stated that the time of scientists would be significantly saved by making information more readily available, in effect increasing the number of scientists by 5,000 or 2%. He pointed to the Soviet accomplishment already in establishing a Center for scientific information which translates, publishes, and services specific requests.

Dr. Killian asserted that our objective is to coordinate better the existing activities of the many agencies, governmental and non-governmental, rather than to centralize all these.

Dr. Waterman noted the responsibility already assigned to the National Science Foundation for carrying on such activities itself, as well as coordinating the activities of other agencies and of coordinating government activities with those of private industry. He went over some of the problems involved in obtaining and disseminating various types of primary and secondary publications. He stressed that the NSF role would be to promote collaboration, leaving the functions of the agencies to continue as at present -- but more efficiently.

Dr. Killian then called attention to the recommendations in the Cabinet paper and also the Budget annex, setting the funds needed at approximately $1,400,000.

Dr. Killian urged early public announcement of this project, if it should be approved.

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By HAC NLE, Date 8-11-76

Sec. Benson stated his Department's concurrence in this proposal though of course he could not assess the over-all requirement or the total of funds necessary. Adm. Strauss ascertained that the existing Commerce Department program of translation and dissemination of pamphlets would fit nicely into the total program as is.

Sec. Quarles noted that the Cabinet paper dealt mainly with basic information which is predominantly unclassified. He stated that the Defense Department, through the Armed Forces Technical information Service, of which the Air Force is the executive agency, had a large program in existence. Regarding classified information, he noted the Department's efforts to maintain a proper program of declassification but was made difficult by the tremendous volume of material.

The President ascertained that there was no further comment. He considered the question closed and called for the next item.

Federal Council for Science and Technology (CP 58-86) - Dr. Killian recalled the extensive consideration given to management aspects of Government science activities and the conclusion that a Department of Science would not be the proper solution. He noted that the Administration currently expends about $5 billion annually for research and development. He believed that the interagency council proposed in this paper would provide the proper mechanism for reviewing the impact of the various parts of this large program, both as to Governmental objectives and effects outside of Government.

Dr. Piore reviewed the study made by a panel of the Science Advisory Committee, stressing the many fundamentals to basic research on which all the various agency and departmental programs depend. The great problem, he said, was to provide coordinated policy planning for long-range programs, not only to eliminate duplication but to insure appropriate development of the necessary things. He stated the specific problem attached to the construction of costly nuclear accelerators and the ensuing need for developing a sound recommendation for the President's consideration.

Dr. Piore took note of the existing mechanisms -- the National Science Foundation, the Special Assistant to the President, the President's Science Advisory Committee, and the Interdepartmental Committee on Scientific matters. Since the latter was concerned essentially with personnel management, there was a clear need for a Federal Council for Science and Technology. Its membership would include those agencies which expend about 95% of total Government scientific funds -- NASA, AEC, NSF, Defense, Agriculture, HEW, Interior and Commerce. The panel concurred in Budget's recommendation that the President's Special Assistant for Science should be the Chairman.

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By BHC NLE, Date 8-11-76

Dr. Killian called attention to the detailed recommendations in the Cabinet paper, then made clear that this would be an advisory and consultative body rather than an action group. It would serve to recommend policies to the President, the Cabinet, or the NSC for decision.

The President stated his favor for this proposal. He pointed out that the Executive Order would provide for the existence of a clerical staff and for appropriate classification of the Council's papers. He expected that the Council would have a great amount of work and would require frequent meetings especially at the beginning of its existence.

Amb. Lodge urged appropriate publicity for this action, and Dr. Killian assured him it would be made. Dr. Flemming expressed the support of the President's Advisory Committee on Government Organization for this proposal, then stated his own as Secretary of Health, Education and Welfare. He saw no conflict between the Council's activities and HEW responsibilities. Mr. Sessions noted the expanding research program of the Post Office about which he wanted to talk to Dr. Killian. The latter assured him that the membership of the Council was not frozen.

Adm. Strauss stated he had not had opportunity to study the proposal and would wish to have action postponed for a week until he could express his views. Mr. McCone also requested opportunity to confer with other AEC Commissioners since it was of such importance to the AEC, which even needed better coordination within its own area. The President was agreeable to a short delay, but he made it clear that the Council would be established. He authorized Dr. Killian to announce the establishment when the details of the Executive Order were cleared with the agencies. Roger Jones requested that the agencies submit written views on the Executive Order.

Dr. Waterman said that the National Science Foundation, which had been responsible for basic research policy, regarded this proposal as very constructive especially if the Council could succeed in laying out long-range programs.

The President concluded the discussion by taking note of a recent space prediction in the newspapers which he thought must be pure speculation since it had not been included among the programs presented to him.

Area Development - Mr. Mueller reviewed the several years history of this proposal and the 1958 veto of the Douglas-Payne bill. He stated that a review had been made of the 1958 Administration bill; it led to the conclusion that a $50 million loan fund would be more than adequate on the basis of experience in Pennsylvania, that rural development aspects belonged in separate legislation, and that the definition of chronic unemployment areas should be modified. The review confirmed the Administration's position that direct grants for construction of facilities should not be included.

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E.O. 11652, Section 1

By DHC NLE, Date 8-11-76

Sec. Anderson emphasized the need for the Federal Government not to be associated in any activities that caused agencies to transfer out of one area because of preferential treatment of another area by the Federal Government. He thought this could be accomplished in the administration of the program. The President stated his assumption that careful study would be made of any specific project prior to Federal participation, giving some assurance that it would not constitute "stealing" industries from other areas. Mr. Mueller believed the 35% limit on Federal participation would insure the soundness of projects.

Mr. Herter recalled the President's experience with Lawrence and Lowell in 1953 and the stimulating action that was taken on the basis of guidance and advice (but not funds) provided by Commerce.

Sec. Benson expressed great anxiety about this program on the basis that (1) if the projects were sound they could be accomplished without Federal help, (2) the existing Small Business Administration should be able to provide necessary help, and (3) the Rural Development Program of the Agriculture Department was working well on a very limited amount of money. The President wryly noted that the Government was putting $7 billion annually into rural areas through support programs. Amb. Lodge recalled the Administration's commitments to a bill of this sort, as did also the President. Dr. Flemming recalled the great effort but small effectiveness of the Defense - ODM project in 1953 to work out something through amortization provisions.

Sec. Mitchell noted his concurrence in this bill but his feeling that it ought to be expanded in view of the popularity of the Douglas-Payne bill last year. He suggested discussion with the Republican Leadership prior to final decision on the specific content. Mr. Mueller re-emphasized the adequacy of $50 million. The President asked Sec. Mitchell what he had in mind and the latter thought the percentage limit on Federal participation might be raised from 35% to 40% or 50%. Dr. Saulnier concurred in Mr. Mueller's view as to the adequacy of $50 million, and he pointed out that the 35% limit had been chosen to insure soundness of the specific projects.

The President was greatly concerned that the tone of any statement regarding this proposal should emphasize the Administration's constructive approach and primary interest in obtaining an effective program. He felt that too high a percentage of Federal participation would induce unnecessary requests. Sec. Mitchell thought some liberalization of the measure might be developed through further study, to which the President was agreeable. The Vice President stressed the importance of being open-minded, especially in view of the 1958 action on this bill.

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Sec. Benson returned to his point and then commented that if the rural development aspect was omitted from the Administration proposal, the difficulties on the Hill would be increased. The Vice President ascertained from the Secretary that if there were to be any bill it ought to include the agricultural aspects. The President again noted the size of the proportion of the budget dedicated to agriculture, as contrasted with the percentage of American population living on the farm.

The President stressed the importance of making technical assistance available to all who requested it.

It was agreed that Dr. Saulnier would join with the group of interested Cabinet members to review the proposals prior to the legislative discussions on December 15th.

LAM

L. A. Minnich, Jr.

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Mrs. Whitman (2)✓
Mr. Robert Gray
Mr. Minnich

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RA - 58-121

December 12, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, December 5, 1958:

1. **Improving the Publication and Dissemination of Scientific Information in the United States** CP - 58-88

ACTION:

Cabinet Paper 58-88 was approved, together with:

a) the recommendation that the approved paper be implemented by means of an appropriate Presidential letter to the Director of the National Science Foundation, instructing him to carry out the programs described, pursuant to Public Laws 507 and 85-864;

Library

b) the suggestion that appropriate explanatory and supporting documents concerning this approved program be made public promptly.

2. **Improving the Planning and Management of the Scientific and Technological Programs of the Federal Government** CP - 58-86

ACTION:

1. Cabinet Paper 58-86 was approved with the following understandings:

    a) The Council's secretariat (Recommendation e (iii)) shall be mainly clerical, with the necessary professional assistance coming from the member agencies.

    b) The Council's papers and discussions shall be so handled that complete protection is given to matters which, at least initially, are classified. Provision for this shall be made at the time the implementing Executive Order is issued.

CABINET PAPER

For Action

c) Consideration is to be given to including "the identification of duplicating efforts" in the Council's terms of reference.

d) Provision to be made for the Post Office Department to have appropriate representation on the Council.

e) The Council, through its Chairman, will, when appropriate, bring its reports to the President via the Cabinet or the National Security Council.

f) Written comments, addressed to the Special Assistant to the President for Science and Technology, are invited from the interested departments and agencies concerning the terms of reference of the new Council, in order to aid in the drafting of the Executive Order, which itself is to be circulated promptly. Further written comments to Dr. Killian are particularly solicited concerning the Annex to the Cabinet Paper.

g) When the Special Assistant to the President for Science and Technology is satisfied that his final proposal has taken into account the views of the Secretary of Commerce and of the Atomic Energy Commission, he will present it to the President, together with his recommendation as to the timing of the release of the Annex to the Cabinet Paper -- a release which will be a demonstration of American determination to provide leadership in the strengthening of American science and technology.

3. Area Assistance Legislation

ACTION:

A group of the Cabinet Members concerned, under the leadership of the Secretary of Commerce and including the Chairman of the Council of Economic Advisers, is, prior to December 15, to review the proposal presented at the meeting by the Under Secretary of Commerce, taking into account that:

a) the Administration will recommend an area assistance program, consistent with the President's past public statements;

b) the President is disinclined to include loan aid to low income rural areas as a part of this program; but the tone and language of any bill are to be in positive terms, offering the counsel, leadership, technical assistance, surveys and full government cooperation in helping local areas more effectively to use their own resources;

c) the Area Assistance Administrator proposed in the legislation, together with those Federal agencies which can provide such counsel, leadership, and technical assistance, are to cooperate with the Department of Agriculture in extending these services to low income rural areas;

d) there are to be no increases in the over-all loan amount of $50,000,000 (except that the figure could be left open-ended in terms of future years);

e) there should be no fundamental change in the present percentage ratio of 35-65 (except that there could be slight variations under exceptional circumstances);

f) it would be desirable to consult with Administration Congressional supporters to ascertain their views with respect to supportable legislation with some chance for passage.

Robert Gray
Secretary to the Cabinet

Approved by the President
December 12, 1958

CONFIDENTIAL
MEMORANDUM FOR THE FILES

December 4, 1958

In a meeting in Jerry Morgan's office, attended by Gordon Tiffany, Rocco Siciliano, and Robert Gray, the Civil Rights Commission paper was discussed and Morgan told Tiffany that he was going to submit the pertinent parts of it to Cabinet officers involved, enclosing pages 3 and 9 and the particular page applying to the department addressee.

Tiffany then read to the group a statement which he had drafted for Dr. Hannah's proposed Cabinet presentation, and asked if it would not be possible to incorporate it along with the material Morgan was sending out. The general theme of this statement was a request for coordination of policy statements within the Administration and the Civil Rights Commission.

Morgan obviously felt that this would be unwise. He stated particularly that he saw no wisdom in coordinating a bi-partisan Administration's policy with a bi-partisan Commission, with independent status.

Siciliano added to this by saying quite often policy statements were news to him when he read them in the paper, and he felt the type of clearance which Tiffany suggested could never be accomplished.

Tiffany told the group that he proposed only a better distribution of Administration policy statements -- that he did not mean to imply that the Commission would clear these statements, but only that they would be advised of them before they were given to the press or as soon thereafter as possible. He further suggested that Dr. Hannah be permitted to come in and talk with the President for the purpose of discussing the above and Administration legislation proposals.

While Morgan agreed to the appointment between Hannah and the President, he said, "I do not think there is going to be any Administration Civil Rights legislation in the next Congress."

Tiffany was visibly shaken by this statement. There was a long silence and the meeting adjourned.

CONFIDENTIAL

Cabinet Discussion of Civil Rights (Summary of a Conversation among Honorable Robert Gray, Secretary to the Cabinet; the Honorable John Hannah, Chairman of the Civil Rights Commission; the Honorable Gordon Tiffany, Executive Director of the Civil Rights Commission; and Mr. Bradley H. Patterson, Jr., Assistant to the Secretary to the Cabinet on November 10, 1958).

In responding to the White House invitation to discuss with the Cabinet the manner in which the Cabinet departments could most effectively discharge their statutory obligations of cooperating with the Commission, Messrs. Hannah and Tiffany made the following points:

(1) Civil rights is America's number one problem today, and the implications of this problem in the sphere of world opinion are hardly less than its domestic aspects.

(2) As its initial task, the Commission is merely a fact-finding organization. In its inquiries, however, the Commission must get the full facts, completely candid and unvarnished and undiluted by any home-office presumptions as to what the situations in the field might be or "ought" to be.

(3) The statute which established the Commission specifies that all Federal agencies are to cooperate fully with the Commission.

(4) From State and USIA the Commission needs to know precisely how this country's civil rights problems have affected the conduct of our foreign relations; what other countries are saying to our representatives about this question; what our representatives have been instructed to say in return; what our organs of overseas information have been instructed to say; the instances, if any, in which actual negotiations with foreign governments have been affected by any of these considerations.

(5) From Defense, the three task groups of the Commission on Housing, Voting and Employment want to know the actual practices of post or base commanders in the field. To get this information will require full and objective research as compared to the relative ease of acquiring merely the policy pronouncements of the Department in Washington.

(6) From the Commerce Department, and specifically from Census Bureau, the Commission needs information with respect to voting age population and needs to know what kinds of questionnaires are now being prepared for the 1960 Census which would bear on the collection of data significant in civil rights work.

(7) From the Department of Health, Education, and Welfare the Commission needs exact information about the schools to which Federal money is being given in large percentages and the practices of these schools with respect to segregation.

(8) It was agreed that the Commission would accept the White House invitation to prepare for advance circulation to the Cabinet, a Cabinet Paper outlining these and the other specific questions on which the Commission will require full departmental cooperation all the way down to field levels.

(9) Arrangements will be made for this paper and a dry-run of Mr. Hannah's presentation to be shown in advance to the Secretary to the Cabinet.

(10) The Commission will not ask each Cabinet Member to appoint a special liaison officer to work with the Commission on its problems in the hope that the Cabinet Member will do so personally, with follow-up arrangements to be effected through the usual liaison machinery for Cabinet business, i.e., the Cabinet Assistants.

AREA ASSISTANCE

Mueller presentation

Anderson question about "empty buildings"

DDE reponse

Benson - Why not eliminate this program - just have a committee which could provide advice and assistance - no financing.

DE - You want rural development areas in? We are already spending 7-8 billions on farmers

ETB - If we have a program, we should include rural areas - undeveloped and underemployes - but do we need a federal program in this field?

Lodge - Re-read veto message of Sept. 6 - Pres. firmly committed to propose a program .

DE - After all these years of proposing this program on the advice of my economic adviesrs, this is now a hell of a time to tell me we should drop it. Legal and budgetary people have looked this all over - and we can't get out of this by just proposing a "committee".

HCL * I agree with Anderson about buildings... New Bedford was full of old stone and brick buildings - what they needed was reconditioning , not new ones -- reconditioning so that electronics industries could move in, as they are, now, all through New England.

Flemming - I too talked with the Mayor of Lawrence - and I found that under existing laws, the Fed. Govt could do nothing for him, really.

DE - I want to be out in front with leadership - but when we begin to get into a govt loan program, I get cold feet... Didn't we increase the SBA loan program?

JM _ Problem of practical politics - what passed last year and can we take the same or only slightly changed version this year and expect any better fate? We should sit down with the republicans in Congress and find out what *they* feel *they* can defend.

DE - We'll do that on Dec. 15.

VP - Is the technical assistance available only to the 17 areas?

Mueller - No - to more. But only the 17 could get the loans.

Mueller - I agree with Sec. Mitchell. 50 Million is absolutely adequate asaa sum - in fact it would be impossible to spend more or put more in the budget. and be wise about it.

DE - Sec. Mitchell, where would you want tbe bill liberalized?

→ JM - Not sure myself - we have these percentages (65-35) - the point is that we should ask some of our supporters in Congress where *they* feel the percentages should be liberalized, and see where they feel a compromise - perhaps in the percentages, should be struck - so they can defend the bill successfully.

Saulnier - There are only 2 areas for liberalization -

a) larger loan authority and we are all against that, ~~as FM proved~~.
b) changing the percentages - and if we do this we will run the risk of *having* empty buildings looking for tenants.

DE - Keep your criteria pretty much the way they are - but emphasize the services available, and put the whole text of the billin a *positive* tone, -- what the Commerce Dept. has available, but not stressin the financial aspects, of committing more money.

VP - Leave the 50 million open-ended -- "perhaps more next year" rather than stick rigidly to 50 million as an absolute limit. If Mueller is right, we won't use it anyway.

Flemming - If we modified the percentages to 40 or 50, we could still keep the total loan limit at 50 million, couldn't we?

DE - When we get to changing the percentages to those amounts, I agree with Sec. Anderson. Once you get into too liberal money and loan programs, you get into the position of constant pressure just to engage in these loans for the sake of doing it. We need inspired leadership in this field, giving help to localities. [rather than money]
ideas

Mitchell - A group of us here should set down in terms of libreralizing tone and attitude -- that may do the trick. But we must remember, we are heading into theDouglas-Payne attitude - which bill incorporated 75 million in grants. Of course we are opposed to this, but we ZXEX will get it back again unless we modify somewhat.

DE - It might be possible to change the percentages as they apply to land only, since land is a securer equity.

Mueller - But a mortgage on a building includes the land.

DE - But the land doesn't fall down or burn up - it is more secure.

Mueller - We need more leadership and the tone of the idea of helping local communities re-discover their own resources -- fed agencies helping with technical research and surveys, etc -- the Office of Area Development in our Commerce Department has a budget of only $300,000. Under the stimulation of a bill of this character, this office could do just what we have in mind.

DE - But keep your overhead increase to 1/2 of 1%!
Before this December 15 meeting, let's scratch your heads again on the idea of liberalizing the tone of the bill -- perhaps we could have some kind of loan which would be variable in there, but make it strict.

VP - As long as we say "here is our same bill all over again - and you can take it or leave it" - you know what kind of reaction we will get from the Opposition.

DE - Lyndon Johnson included this program as one of his 12 points - and he is a conservative democrat.

VP - That is what I mean...

ETBenson - But we must rememeber what we have already done in the fields of business and agriculture...

DE - We cannot run away from our commitments...

Benson - Already the Federal government is, in too many fields, in competition with private enterprise. Should we then add local areas?
It will be very difficult to get the local areas in.
But if we are going to have a modest program, then rural areas should be included in it.

DE - Say that they will get technical assistance - our technical assistance people would go anywhere, but loans, no.
Remember - Our farmers number 11% - we are proposing a program here which will give Z62%Z62X the other 169 million part of our people 50 million dollars.
We are giving the 11% 8 billion dollars.

Benson - Yes, we put in too much ...

Saulnier - The bill would allow us to classify some smaller cities as eligible for technical assistance - small cities in rural areas. But the bill does require that such areas be areas of chronic and persistent unemployment. The Douglas-Payne provision for rural areas says "rural areas of low employment" - and this is a different kind of thing entirely.

DE - Make the language of the bill which will offer services - surveys, technical help - rather than lend money. Say it positively - "what can be done". Depict willingness and enthusiasm, but not the money.

VP - If the Sec. of Agriculture is for this bill, it must be good, since he is conservative.

Benson - If we have to go for this - if we must, to be honest, then we should keep most of the responsibility in the States and localities.

DE - We must do something, or you will make a liar out of me for 5 years back.

Persons - Saulnier should work in this group.

DE - Yes - but Commerce has primary responsibility.

THE WHITE HOUSE
WASHINGTON

December 4, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, December 5

The following items are listed on the agenda for Friday's meeting:

1. Improving the Publication and Dissemination of Scientific Information in the United States (Dr. Killian)

On the recommendation of the Science Advisory Committee, Dr. Killian is proposing that the Cabinet concur in and you approve, a moderate but sustained increase in the National Science Foundation's current program of coordination and assistace in scientific data dissemination. Dr. Killian's proposal envisages a program of supplementing but not supplanting the widespread existing governmental and private undertakings.

The advance Cabinet Paper has been worked out with the National Science Foundation, the other interested agencies, and the Bureau of the Budget. Dr. Killian will introduce the paper with a visual-oral presentation.

2. Improving the Planning and Management of the Scientific and Technological Programs of the Federal Government (Dr. Killian)

An interdepartmental committee has been working in this field for some time. With the concurrence of the Bureau of the Budget, the National Science Foundation, and your Advisory Committee on Government Organization, Dr. Killian proposes an Executive Order to create a Federal Council for Science and Technology. This would be a senior group, replacing the present committee, and would be chaired by Dr. Killian and would report to you through him. Its purpose would be to assure coordination and to eliminate overlaps in Federal scientific and technological research. Dr. Killian will present the Cabinet Paper by means of a visual-oral talk and with the assistance of Dr. Piore, Director of Research, IBM.

3. Area Assistance Legislation

(Secretary Strauss,
Under Secretary
Mueller)

In your veto message of September 6, 1958, you stated, "It is my intention...to request the Congress, at the earliest possible opportunity, to enact area assistance legislation more soundly conceived to carry out the purposes which I have repeatedly stressed as in the national interest."

After extensive discussions in Dr. Saulnier's Advisory Board on Economic Growth and Stability, some fresh proposals for a modified Administration Area Assistance Bill are ready for Cabinet consideration. The discussion will center on:

a) Eligibility criteria: How to define a "depressed area"?

b) Inclusion of rural areas: Should depressed rural areas be included in the new Administration bill, or does our present Rural Development Program meet the need?

c) The monetary magnitude: What over-all fiscal limit should there be on the program?

Robert Gray
Secretary to the Cabinet

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THE WHITE HOUSE
WASHINGTON

December 1, 1958

MEMORANDUM

SUBJECT: Cabinet Items Needing Consideration on Friday

The following items are ready and waiting for Cabinet consideration this coming Friday, December 5th:

1. Airport Construction Aid and Airway User Charges (Mr. Quesada)

Last September 2, the President vetoed an airport subsidy bill, saying "At the next session of the Congress, the Administration will recommend a transitional program to provide aid for the construction of urgent airport projects that are essential to an adequate national aviation facilities system."

General Quesada has been working with the Bureau of the Budget on a program which can be suggested next January and which will be consistent with the above Presidential criteria.

At the same time, Mr. Quesada will present for discussion proposals on airway user charges, which should be a parallel section of this part of the legislative program.

2. Civil Rights (The Attorney General, Chairman Hannah and Mr. Tiffany)

Library

The second part of this item will logically be the Attorney General's presentation of the Administration's civil rights program for the next year. The nature and timing of these proposals are still under discussion between the White House and the Attorney General.

The statute establishing the Civil Rights Commission specifies that all the Departments and Agencies shall give the Commission full cooperation.

Chairman Hannah and Mr. Tiffany regard it essential that, in the President's presence, they outline to the Cabinet what the Commission in fact needs if it is going to do its work successfully. They have carefully prepared illustrative suggestions of the kinds of information they will need from Defense, from HEW, from Commerce (Census). In order that the Administration cannot possibly be accused of giving the Commission anything less than one hundred per cent support, it is important to have this Cabinet presentation lay the necessary groundwork for full cooperation in the future.

3. Area Development Legislation (Secretary of Commerce)

In the last Session, the President vetoed a bill that the Congress passed. Interested agencies have been working intensively, under Dr. Saulnier's chairmanship, to prepare proposals which would strengthen and improve the Administration's own area assistance bill. It is believed that these efforts may bear fruit by the end of the week -- which will enable this important legislative program subject to be considered at Cabinet on Friday.

4. Improving the Publication and Dissemination of Scientific Information in the United States (Dr. Killian)

This paper has been awaiting Cabinet discussion since October 18. Dr. Killian and Dr. Waterman have prepared an accompanying presentation which points up the importance of making sure that everything possible that can be done is being done to speed the dissemination and general availability of scientific data. With the production of such data constantly increasing, scientists find it an ever more pressing burden just to keep themselves informed of what is going on in the world scientific community. In a recent conference in Washington, the Russians boasted about their own highly centralized dissemination center; this paper proposes a solution quite different and much more consistent with this Administration's concept of the proper role of government. These proposals grow out of the President's Science Advisory Committee.

The subject is overdue and needs decision.

5. Improving the Planning and Management of the Scientific and Technological Programs of the Federal Government (Dr. Killian)

A second urgent proposal of the Science Advisory Committee which awaits Cabinet consideration is this paper from Dr. Killian which proposes the creation of a Federal Council for Science and Technology. The Committee and Dr. Killian feel that there has been inadequate coordination among the departments and agencies which have scientific programs and that this inadequacy has resulted in money unnecessarily or unwisely spent, in man-hours lost, and assignments confused and overlapping.

The Bureau of the Budget and the President's Advisory Committee on Government Organization have reviewed and concurred in Dr. Killian's proposal; it awaits Cabinet action.

6. Removal of Papers by Retiring Department and Agency Heads -- Recommended Amendment to Executive Order 10501 to Permit Historians' Access to Classified Records (The Secretary of State)

Ever since the Cabinet meeting of January 18, 1957, the Departments of State, Justice, Defense, and others have been negotiating on the question of whether, under the clause "shall be permitted only to persons whose official duties require such access in the interests of promoting the national defense", historians' access to classified government materials is possible or even permissible. State feels that, with the words "national defense" narrowly interpreted (as the Justice Department interprets them), this wording in effect bans historical access. State, therefore, feels that the only proper course of action is to change the Executive Order, especially since Mr. Dulles has already established a classified archive at Princeton. Secretary McElroy, Secretary Anderson, and others have dissented from this recommendation, especially since the problem might be able to be solved by a more liberal general interpretation of the words "national defense." Secretary Dulles is most anxious to get this question settled and has asked that the paper be on the agenda for Friday.

THE WHITE HOUSE
WASHINGTON

December 1, 1958

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The Attorney General--?)

#2 TP

The statute establishing the Civil Rights Commission specifies that all the Departments and Agencies shall give the Commission full cooperation. Chairman Hannah and Mr. Tiffany regard it essential that, in the President's presence, they outline to the Cabinet what the Commission in fact needs if it is going to do its work successfully. They have carefully prepared illustrative suggestions of the kinds of information they will need from Defense, from HEW, from Commerce (Census). In order that the Administration cannot possibly be accused of giving the Commission anything less than one hundred per cent support, it is important to have this Cabinet presentation lay the necessary groundwork for full cooperation in the future.

#1 A

The second part of this item will logically be the Attorney General's presentation of the Administration's civil rights program for the next year. The nature and timing of these proposals are still under discussion between the White House and the Attorney General. [The stage is set, however, on Friday; proposals of such intense general interest should not be delayed.]

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This paper has been awaiting Cabinet discussion since October 18. Dr. Killian and Dr. Waterman have prepared an accompanying presentation which points up the importance of making sure that everything possible that can be done is being done to speed the dissemination and general availability of scientific data. With the production of such data constantly increasing, scientists find it an ever more pressing burden just to keep themselves informed of what is going on in the world scientific community. In a recent conference in Washington, the Russians boasted about their own highly centralized dissemination center; this paper proposes a solution quite different and much more consistent with this Administration's concept of the proper role of government. These proposals grow out of the President's Science Advisory Committee.

The subject is overdue and needs decision.

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A second urgent proposal of the Science Advisory Committee which awaits Cabinet consideration is this paper from Dr. Killian which proposes the creation of a Federal Council for Science and Technology. The Committee and Dr. Killian feel that there has been inadequate coordination among the departments and agencies which have scientific programs and that this inadequacy has resulted in money unnecessarily or unwisely spent, in ~~too much~~ man-hours lost and assignments confused and overlapping.

The Bureau of the Budget and the President's Advisory Committee on Government Organization have reviewed and concurred in Dr. Killian's proposal; it awaits Cabinet action.

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In the last Session, the President vetoed a bill that the Congress passed. Interested agencies have been working intensively, under Dr. Saulnier's chairmanship, to prepare proposals which would strengthen and improve the Administration's own area assistance bill. It is believed that these efforts may bear fruit by the end of the week -- which will enable this important legislative program subject to be considered at Cabinet on Friday.

Brad Patterson

CABINET PAPER—PRIVILEGED CP - 58-88

Property of the White House—For Authorized Persons Only October 18, 1958

The White House

Washington

THE CABINET

Improving the Publication and Dissemination of Scientific Information in the United States

For consideration by the Cabinet, attached is a paper prepared by the Special Assistant to the President for Science and Technology based on recommendations made by the President's Science Advisory Committee.

The attached paper is preceded by a Brief and is followed by three Annexes which outline respectively the scope of activities, the cost and the legal authorities for the program proposed.

This paper, which has the concurrence and support of the Director of the National Science Foundation, will be presented to the Cabinet at its coming meeting by the Special Assistant to the President for Science and Technology. The paper will be amplified at the meeting by an oral-visual presentation.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED CP- 58-88
Property of the White House—For Authorized Persons Only October 18, 1958

The White House

Washington

THE CABINET

The Dwight D [illegible] Library

Improving the Publication and Dissemination of Scientific Information in the United States

Brief

The Problem: 1. How best can the rapidly growing volume of foreign and domestic scientific and technical information be mobilized to meet the critical needs of our scientists and engineers in furthering new research?

2. What should be the program concept, manner of execution and the rate of funding governing the implementation of the responsibilities of the National Science Foundation in acquiring, publishing, translating, abstracting, indexing, storing, retrieving, and other services leading to a more effective dissemination of scientific and technical information?

Discussion: The scientist is interested in information that results from scientific research. The publication of research information is absolutely essential to every working scientist for two reasons:

(1) It is the means by which he keeps abreast of what others are doing in his field.

(2) It is the means by which he announces significant results of his own work, thereby establishing priority and inviting evaluation by other scientists. The great atomic physicist, Ernest Rutherford said, "Scientists are not dependent on the ideas of a single man, but on the combined wisdom of thousands of men, all thinking the same problem, and each doing his little bit to add to the great structure of knowledge which is gradually being erected."

The rapid rate of scientific progress has multiplied the volume of scientific information to a point where it can no longer be published and managed within the framework of existing methods. In addition, much of what is significant in science is being published in unfamiliar languages, particularly Russian.

Reduced to its simplest terms, the scientist's problems with respect to information are:

(1) How can the present volume of research results be published promptly?
(2) What is being published now?
(3) Where is it?
(4) How can I get at it?

Progress in science is dependent upon the free flow of scientific information, for the rate of scientific advance is determined in a significant measure by the speed with which research findings are disseminated among scientists who can use them in further research. How are we going to meet this problem?

Corrected page 2
of CP - 58-88

The President's Science Advisory Committee regards the whole subject of scientific information as being of such importance that it appointed a special panel to make a thorough study of the situation. The panel's report, upon whose findings this paper is based, has been approved by the Committee.

Recommendations:

1. That, as recommended by the President's Science Advisory Committee, the National Science Foundation expand its Scientific Information Service Program in a manner which would:

    (i) strengthen rather than supplant existing governmental and private efforts;

    (ii) be primarily of a coordinating rather than an operating nature;

    (iii) include the activities outlined in Annex A of this Paper.

    Note: The above recommendation is made on the assumption that both the governmental agencies and the private institutions which conduct related programs of dissemination of scientific information maintain their own programs at adequate levels.

2. That the Foundation plan the above Program within the general annual magnitude of cost given in the third column of the figures in Annex B of this Paper, with the understanding that each year's specific request will be subject to the usual budgetary review.

3. That all Federal agencies concerned assist the National Science Foundation fully in the execution of this Program.

CABINET PAPER—PRIVILEGED CP - 58-88

Property of the White House—For Authorized Persons Only October 18, 1958

The White House

Washington

THE CABINET

Improving The Publication And Dissemination of Scientific Information In The United States

The Problem: 1. How best can the rapidly growing volume of foreign and domestic scientific and technical information be mobilized to meet the critical needs of our scientists and engineers in furthering new research?

2. What should be the program concept, the manner of execution and the rate of funding governing the implementation of the responsibilities of the National Science Foundation in acquiring, publishing, translating, abstracting, indexing, storing, retrieving, and other services leading to a more effective dissemination of scientific and technical information?

Discussion: The rate at which science advances depends in significant measure upon the degree to which research results are disseminated among scientists who can use them in new research. In many cases developments and discoveries of potential value to him may be published in foreign languages, and in publications unavailable in this country. The rapid and spectacular growth in science and technology in the last fifteen years has aggravated the problems of achieving effective dissemination of ideas and data produced in this country and abroad and recorded in the growing mass of scientific and technical literature.

Since the National Science Foundation's primary mission is to support and encourage basic scientific research in all fields, and since the availability of information on research results is essential to that progress, the National Science Foundation, since 1951, has carried on as active a program in support of research on scientific information problems to the extent funds for this purpose have permitted. Other Government agencies supporting work in this field include several branches of the Air Force and Navy, the Bureau of Standards, the Patent Office, and the Office of Technical Services, Department of Commerce, and certain intelligence agencies.

To meet these problems requires resolution of the following difficulties:

-How can the present increasing volume of research results be promptly published?
-What is being published?
-Where is it located?
-How can the scientist obtain it?

1. Why the Need?

The increasing volume of scientific and technical literature produced in the United States parallels and is a direct result of the greatly accelerated research and development effort, particularly on the part of the Federal Government, especially since World War II.

The problem of ready access to the growing mass of scientific literature exists despite the best efforts of the existing and well organized systems for the handling of scientific information. If this problem were left untended, it could aversely affect scientific progress and the proper utilization of scarce scientific resources, with consequent injurious results to our nation's progress and security. Improvement in the dissemination of scientific and technical information would result in savings difficult to calculate, but the saving of time of scientists and engineers with consequent speed up of research and development is estimated to be of large magnitude.

The less time scientists need to spend in searching out what is already known, the more time they can spend actively on research. Thus, improvements in scientific information facilities will be reflected in improved utilization of scientists' time -- in effect, equivalent to an increase in the number of scientists available. Quoting from the President's Committee for Scientists and Engineers, "a ten per cent improvement in the utilization of scientists and engineers would be equivalent to a ten per cent increase in the supply."

The system under which the United States scientist obtains scientific information is the result of evolution rather than any preconceived system or plan. Its present defects stem largely from its inability to keep pace with this increasing volume of scientific literature and the absence of techniques for handling the newer aggregates of scientific information.

The situation is further complicated by the fact that a large and important proportion of the world's scientific literature appears in languages unknown to the majority of American scientists, such as Russian and Japanese. Russian language publications account for a tenth or more of the scientific literature being published in the world today. A UNESCO publication titled "Scientific and Technical Translating and Other Aspects of Language Problems", published in late 1957 estimates that there are about 905,000 scientists and engineers in the United States, of whom 1,000 can read the Russian Language, or about one-tenth of 1 per cent. Contrarywise, UNESCO further estimates that of about 1 million scientists and engineers in the Soviet Union, 500,000 or approximately 50 per cent, can read English.

To cope with the need to publish rapidly growing quantities of scientific information, primary journals have required greater condensation of papers before acceptance to the point of lack of completeness in reporting. Many journals have accumulated backlogs of unpublished papers. Subscription prices have been raised, and page charges have been asked of organizations for papers accepted from staff members to help overcome the sharp increases in publication costs. Many scientific journals are in serious difficulty. The increased costs of subscriptions affect accessions of the libraries operating on limited budgets.

The increase in quantity of scientific information coupled with the rising costs of publication and the multiplication of scientific journals has resulted in difficulties for the abstracting and indexing services. Other aspects of the scientific information sphere have become aggravated, such as storing and retrieving large quantities of information, and the publication of monographs has lagged.

Although a considerable amount of work is being done to resolve these serious problems, it has been on far too small a scale to be adequate from a national standpoint. Efforts have not been integrated into a well-planned, over-all pattern needed to avoid serious neglect in some areas and wasteful overlap in others.

2. The USSR Solution

An early proposal, now universally rejected, was to solve existing problems by the establishment of a single center, financed almost wholly by the Federal Government, similar to the USSR's All-Union Institute of Scientific Information. The organization and operation of that Institute implies that the Russians recognize the magnitude and importance of the problem by their aggressive attempts to meet it. Available evidence indicates that the Institute operates effectively in meeting the needs of Russian science. However, it must not be overlooked that in planning the establishment and operations of the All-Union Institute, the Russians could not call upon the services of numerous scientific information organizations such as we find already in existence in the private enterprise structure of our country, and which have been in operation many years.

3. U. S. Efforts Up to Now

Under the National Science Foundation Act of 1950, and other autorities (see Annex C), the National Science Foundation has granted emergency support to primary scientific journals to help them survive financial crises, publish backlogs of manuscripts, and to solve other temporary problems. Similar assistance has been rendered secondary publications, including funds to support establishment or a National Federation of Science Abstracting and Indexing Services. Also, the National Science Foundation has provided financial aid for the publication of bibliographies, handbooks and other scientific reference works that could not have been published otherwise.

Numerous other Federal agencies assist financially with the dissemination of scientific information in a variety of ways, ranging from direct support of publications in which they are officially interested, to payment of page charges, and the like, on Government-originated material published in private journals. These agencies include the Library of Congress, the Departments of Agriculture and Commerce, the military services, the Atomic Energy Commission, the Department of Health, Educatinn, and Welfare, and others.

The largest efforts being expended in the information field are by the United States intelligence community, although these efforts are directed towards meeting objectives of the intelligence community and not those of the scientific community. Much of this material, however, produced by these agencies is useful to scientists and engineers.

The Office of Technical Services, Department of Commerce, lists some 7500 unclassified, unpublished research reports each year, including all unclassified Atomic Energy Commission reports, in its abstracting journal, U.S. Government Research Reports. And, in addition, has made plans to similarly make available abstracts, translations and other types of information produced by the above agencies on foreign science and technology. These activities are carried out pursuant to P.L. 776, the purpose of which is to make the results of technological research and development more readily available to industry, business, and to the general public.

A major effort has been expended on the complete translation of selected Russian scientific periodicals. Approximately 57 completely translated Soviet journals are presently available in the United States on subscription. About 30 of these are supported principally by the National Science Foundation with the assistance of the Atomic Energy Commission, the Office of Naval Research and the National Bureau of Standards. Nine are supported by the National Institutes of Health. The Nation Institutes of Health and the National Science Foundation have jointly supported the Special Libraries Association Translation Center in Chicago, which acts, with the Department of Commerce, as a clearinghouse for translations principally of separate foreign articles and books. There has been both Federal and private support of research and development directed toward the use of machine techniques for mechanical storage and retrieval of information, and the translation of scientific publications from one language to another. Within the government, the National Science Foundation has, since its inception in 1950, taken the lead in initiating support, and developing cooperative efforts for the solution of these problems.

Fortunately a new agency will not be required to meet this need. The National Science Foundation, whose enabling Act charges it with specific responsibilities for scientific information, already has a program in this field and hence useful experience and special competence.

Corrected page 4
of CP - 58-88

Recommendations:

1. That, as recommended by the President's Science Advisory Committee, the National Science Foundation expand its Scientific Information Service Program in a manner which would:

   (i) strengthen rather than supplant existing governmental and private efforts;

   (ii) be primarily of a coordinating rather than an operating nature;

   (iii) include the activities outlined in Annex A of this Paper.

   Note: The above recommendation is made on the assumption that both the governmental agencies and the private institutions which conduct related programs of dissemination of scientific information maintain their own programs at adequate levels.

2. That the Foundation plan the above Programs within the general annual magnitude of cost given in the third column of the figures in Annex B of this Paper, with the understanding that each year's specific request will be subject to the usual budgetary review.

3. That all Federal agencies concerned assist the National Science Foundation fully in the execution of this Program.

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CP - 58-88

Annex A

Corrected Annex A
of CP - 58-88

ACTIVITIES TO BE UNDERTAKEN IN THE RECOMMENDED EXPANSION OF THE NATIONAL SCIENCE FOUNDATION'S SCIENCE INFORMATION SERVICE

A Scientific Information Service of the coordinating type would have such fundamental responsibilities toward existing U. S. information programs as keeping informed about their activities, constructively evaluating them, counselling with them, and assisting and strengthen (but not supplanting) them. The objective would be to ensure that any U. S. scientist can obtain any item of scientific information he needs, no matter where it originates; and to develop improvements in the organization and availability of scientific information on behalf of all U. S. scientists. Specifically, this Service would be concerned principally with the following six phases of the over-all scientific information complex:

1. Primary publications - including periodicals, monographs, and new forms of publication, such as cards and microforms.
2. Secondary publications - including abstracting and indexing services; critical reviews; and dictionaries, encyclopedias and other compendia.
3. Scientific data and reference centers which collect, tabulate, analyze and give service on research results of various kinds; and which provide ready availability of scientific literature in published or unpublished form.
4. Unpublished research information - including Government research reports, industrial scientific reports, theses, society papers and the like.
5. Translation programs, repositories, and clearinghouse operations concerned with making foreign science information available in the U. S.
6. Storage-and-retrieval and mechanical translation developments and studies as well as other aspects of information processing requiring research.

With regard to each of the above phases of scientific information and dissemination, the Service would on a world-wide basis, do the following:

1. Provide, or arrange for provision of acquisition and reference programs to provide maximum availability in the U.S. of basic materials.
2. Arrange for, or act as, a clearinghouse for information on the current status of programs.
3. Arrange for, or prepare, evaluations of coverage and efficiency of existing information programs.
4. Foster efforts to improve the efficiency of existing activities; to conduct research into improved methods, and to fill gaps in the over-all program.
5. Foster cooperation among U. S., foreign, and international organizations with similar interests.

CABINET PAPER

For Consideration

Annex B

ILLUSTRATIVE BUDGET
OF THE NATIONAL SCIENCE FOUNDATION'S OFFICE OF SCIENTIFIC INFORMATION FOR IMPROVING THE PUBLICATION AND DISSEMINATION OF SCIENTIFIC AND TECHNICAL INFORMATION IN THE UNITED STATES

The following budget is illustrative of the present program's requested/estimated funds for today's operation of the Office of Scientific Information, National Science Foundation, as well as the estimated increments for the Science Information Service as it goes into operation. In addition, figures are presented showing estimate of funds for a year of full-scale operation of the Science Information Service in the Office of Scientific Information, National Science Foundation:

MAJOR AREAS AND TASKS	FY 1959 as now Estimated	FY 1960 as now Requested	One Year of Full-Scale Operation
1. Foreign Science Information	1,633,540	2,121,115	1,795,000
2. Unpublished Research Information	297,920	426,480	510,000
3. Support of Scientific Publications and Reference Tools	888,200	1,623,365	2,610,000
4. Research on Scientific Information Problems	722,340	996,520	1,060,000
TOTAL	3,542,000	5,167,480	5,975,000

Column 1 - FY 1959 - as now estimated. (Total thus represents amount as requested plus what is believed to be a reasonable estimate of a supplemental amount that will be needed for today's operation in FY 1959.)

Column 2 - FY 1960 - as submitted: These figures have already been submitted by OSI/NSF for today's needs only, not taking into consideration any expansion that would occur should the Science Information Service (SIS) operation be expanded by OSI/NSF.

Column 3 - FY -X-: First year of full-scale operation of SIS by OSI/NSF.

Annex C

LEGAL AUTHORITIES

Authority for the National Science Foundation to conduct scientific and technical information services and programs is as follows:

STATUTES:

P. L. 507, 81st Congress, (42 USC 1861, ff.), enacted May 10, 1950, titled the "National Science Foundation Act of 1950", authorized the NSF, inter alia, to

> "foster the interchange of scientific information among scientists of the United States and foreign countries" (42 USC 1862(5)),

as well as to provide a clearinghouse for information. The NSF is also authorized to

> "publish or arrange for the publication of scientific and technical information so as to further the full dissemination of information of scientific value consistent with the national interest...." (42 USC 1870(g)).

P. L. 85-864, 85th Congress (USC), enacted September 2, 1958, titled "The National Defense Education Act of 1958", title IX of which directs the NSF to "establish a Science Information Service," to

> "provide for, arrange for the provision of, indexing, abstracting, translating, and other services leading to a more effective dissemination of scientific information and ... to undertake programs to develop new or improved methods, including mechanized systems, for making scientific information available."
> (PL 85-864, Section 901)

EXECUTIVE ORDER:

E. O. 10521, of 3/17/54, relative to the NSF activities, authorizes the NSF, inter alia, to take an active role in scientific information sphere, reference specifically Sections 6 (d) and 7. Section 7 states that Federal Agencies supporting or engaging in scientific research are directed ....

> "with the assistance of the Foundation to cooperate in an effort to improve the methods of classification and reporting of scientific research projects and activities, subject to the requirements of security of information."

*****

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CP - 58-88

December 8, 1958

The White House

Washington

THE CABINET

Improving the Publication and Dissemination of Scientific Information in the United States

The attached approved paper is circulated for action by the Director of the National Science Foundation and for supporting implementation by the Special Assistant to the President for Science and Technology and by the other federal agencies concerned.

This paper was approved at the Cabinet meeting of Friday, December 5, 1958 (RA - 58-121, Item 1).

Pursuant to subparagraph (b) of the above-cited action, there is attached as an appendix (not privileged) to this paper, a copy of each of the two "explanatory and supporting documents" which were made public by the White House for December 7 release.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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CP- 58-88

December 8, 1958

The White House

Washington

THE CABINET

Improving the Publication and Dissemination of Scientific Information in the United States

Brief

The Problem: 1. How best can the rapidly growing volume of foreign and domestic scientific and technical information be mobilized to meet the critical needs of our scientists and engineers in furthering new research?

2. What should be the program concept, manner of execution and the rate of funding governing the implementation of the responsibilities of the National Science Foundation in acquiring, publishing, translating, abstracting, indexing, storing, retrieving, and other services leading to a more effective dissemination of scientific and technical information?

Discussion: The scientist is interested in information that results from scientific research. The publication of research information is absolutely essential to every working scientist for two reasons:

(1) It is the means by which he keeps abreast of what others are doing in his field.

(2) It is the means by which he announces significant results of his own work, thereby establishing priority and inviting evaluation by other scientists. The great atomic physicist, Ernest Rutherford said, "Scientists are not dependent on the ideas of a single man, but on the combined wisdom of thousands of men, all thinking the same problem, and each doing his little bit to add to the great structure of knowledge which is gradually being erected."

The rapid rate of scientific progress has multiplied the volume of scientific information to a point where it can no longer be published and managed within the framework of existing methods. In addition, much of what is significant in science is being published in unfamiliar languages, particularly Russian.

Reduced to its simplest terms, the scientist's problems with respect to information are:

(1) How can the present volume of research results be published promptly?
(2) What is being published now?
(3) Where is it?
(4) How can I get at it?

Progress in science is dependent upon the free flow of scientific information, for the rate of scientific advance is determined in a significant measure by the speed with which research findings are disseminated among scientists who can use them in further research. How are we going to meet this problem?

CABINET PAPER

For Action

Corrected page 2
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The President's Science Advisory Committee regards the whole subject of scientific information as being of such importance that it appointed a special panel to make a thorough study of the situation. The panel's report, upon whose findings this paper is based, has been approved by the Committee.

Recommendations:

1. That, as recommended by the President's Science Advisory Committee, the National Science Foundation expand its Scientific Information Service Program in a manner which would:

   (i) strengthen rather than supplant existing governmental and private efforts;

   (ii) be primarily of a coordinationg rather than an operating nature;

   (iii) include the activities outlined in Annex A of this Paper.

   Note: The above recommendation is made on the assumption that both the governmental agencies and the private institutions which conduct related programs of dissemination of scientific information maintain their own programs at adequate levels.

2. That the Foundation plan the above Program within the general annual magnitude of cost given in the third column of the figures in Annex B of this Paper, with the understanding that each year's specific request will be subject to the usual budgetary review.

3. That all Federal agencies concerned assist the National Science Foundation fully in the execution of this Program.

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THE CABINET

Improving The Publication And Dissemination of Scientific Information In The United States

The Problem: 1. How best can the rapidly growing volume of foreign and domestic scientific and technical information be mobilized to meet the critical needs of our scientists and engineers in furthering new research?

2. What should be the program concept, the manner of execution and the rate of funding governing the implementation of the responsibilities of the National Science Foundation in acquiring, publishing, translating, abstracting, indexing, storing, retrieving, and other services leading to a more effective dissemination of scientific and technical information?

Discussion: The rate at which science advances depends in significant measure upon the degree to which research results are disseminated among scientists who can use them in new research. In many cases developments and discoveries of potential value to him may be published in foreign languages, and in publications unavailable in this country. The rapid and spectacular growth in science and technology in the last fifteen years has aggravated the problems of achieving effective dissemination of ideas and data produced in this country and abroad and recorded in the growing mass of scientific and technical literature.

Since the National Science Foundation's primary mission is to support and encourage basic scientific research in all fields, and since the availability of information on research results is essential to that progress, the National Science Foundation, since 1951, has carried on as active a program in support of research on scientific information problems to the extent funds for this purpose have permitted. Other Government agencies supporting work in this field include several branches of the Air Force and Navy, the Bureau of Standards, the Patent Office, and the Office of Technical Services, Department of Commerce, and certain intelligence agencies.

To meet these problems requires resolution of the following difficulties:

- -How can the present increasing volume of research results be promptly published?
- -What is being published?
- -Where is it located?
- -How can the scientist obtain it?

1. Why the Need?

The increasing volume of scientific and technical literature produced in the United States parallels and is a direct result of the greatly accelerated research and development effort, particularly on the part of the Federal Government, especially since World War II.

The problem of ready access to the growing mass of scientific literature exists despite the best efforts of the existing and well organized systems for the handling of scientific information. If this problem were left untended, it could aversely affect scientific progress and the proper utilization of scarce scientific resources, with consequent injurious results to our nation's progress and security. Improvement in the dissemination of scientific and technical information would result in savings difficult to calculate, but the saving of time of scientists and engineers with consequent speed up of research and development is estimated to be of large magnitude.

The less time scientists need to spend in searching out what is already known, the more time they can spend actively on research. Thus, improvements in scientific information facilities will be reflected in improved utilization of scientists' time -- in effect, equivalent to an increase in the number of scientists available. Quoting from the President's Committee for Scientists and Engineers, "a ten per cent improvement in the utilization of scientists and engineers would be equivalent to a ten per cent increase in the supply."

The system under which the United States scientist obtains scientific information is the result of evolution rather than any preconceived system or plan. Its present defects stem largely from its inability to keep pace with this increasing volume of scientific literature and the absence of techniques for handling the newer aggregates of scientific information.

The situation is further complicated by the fact that a large and important proportion of the world's scientific literature appears in languages unknown to the majority of American scientists, such as Russian and Japanese. Russian language publications account for a tenth or more of the scientific literature being published in the world today. A UNESCO publication titled "Scientific and Technical Translating and Other Aspects of Language Problems", published in late 1957 estimates that there are about 905,000 scientists and engineers in the United States, of whom 1,000 can read the Russian Language, or about one-tenth of 1 per cent. Contrarywise, UNESCO further estimates that of about 1 million scientists and engineers in the Soviet Union, 500,000 or approximately 50 per cent, can read English.

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The increase in quantity of scientific information coupled with the rising costs of publication and the multiplication of scientific journals has resulted in difficulties for the abstracting and indexing services. Other aspects of the scientific information sphere have become aggravated, such as storing and retrieving large quantities of information, and the publication of monographs has lagged.

Although a considerable amount of work is being done to resolve these serious problems, it has been on far too small a scale to be adequate from a national standpoint. Efforts have not been integrated into a well-planned, over-all pattern needed to avoid serious neglect in some areas and wasteful overlap in others.

2. The USSR Solution

An early proposal, now universally rejected, was to solve existing problems by the establishment of a single center, financed almost wholly by the Federal Government, similar to the USSR's All-Union Institute of Scientific Information. The organization and operation of that Institute implies that the Russians recognize the magnitude and importance of the problem by their aggressive attempts to meet it. Available evidence indicates that the Institute operates effectively in meeting the needs of Russian science. However, it must not be overlooked that in planning the establishment and operations of the All-Union Institute, the Russians could not call upon the services of numerous scientific information organizations such as we find already in existence in the private enterprise structure of our country, and which have been in operation many years.

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3. U. S. Efforts Up to Now

Under the National Science Foundation Act of 1950, and other authorities (see Annex C), the National Science Foundation has granted emergency support to primary scientific journals to help them survive financial crises, publish backlogs of manuscripts, and to solve other temporary problems. Similar assistance has been rendered secondary publications, including funds to support establishment or a National Federation of Science Abstracting and Indexing Services. Also, the National Science Foundation has provided financial aid for the publication of bibliographies, handbooks and other scientific reference works that could not have been published otherwise.

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The largest efforts being expended in the information field are by the United States intelligence community, although these efforts are directed towards meeting objectives of the intelligence community and not those of the scientific community. Much of this material, however, produced by these agencies is useful to scientists and engineers.

The Office of Technical Services, Department of Commerce, lists some 7500 unclassified, unpublished research reports each year, including all unclassified Atomic Energy Commission reports, in its abstracting journal, U.S. Government Research Reports. In addition it has made plans similarly to make available abstracts, translations and other types of information produced by the above agencies on foreign science and technology.

A major effort has been expended on the complete translation of selected Russian scientific periodicals. Approximately 57 completely translated Soviet journals are presently available in the United States on subscription. About 30 of these are supported principally by the National Science Foundation with the assistance of the Atomic Energy Commission, the Office of Naval Research and the National Bureau of Standards. Nine are supported by the National Institutes of Health. The National Institutes of Health and the National Science Foundation have jointly supported the Special Libraries Association Translation Center in Chicago, which acts, with the Department of Commerce, as a clearinghouse for translations principally of separate foreign articles and books. There has been both Federal and private support of research and development directed toward the use of machine techniques for mechanical storage and retrieval of information, and the translation of scientific publications from one language to another. Within the government, the National Science Foundation has, since its inception in 1950, taken the lead in initiating support, and developing cooperative efforts for the solution of these problems.

Fortunately a new agency will not be required to meet this need. The National Science Foundation, whose enabling Act charges it with specific responsibilities for scientific information, already has a program in this field and hence useful experience and special competence.

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of CP - 58-88

Recommendations:

1. That, as recommended by the President's Science Advisory Committee, the National Science Foundation expand its Scientific Information Service Program in a manner which would:

   (i) strengthen rather than supplant existing governmental and private efforts;

   (ii) be primarily of a coordinating rather than an operating nature;

   (iii) include the activities outlined in Annex A of this Paper.

   Note: The above recommendation is made on the assumption that both the governmental agencies and the private institutions which conduct related programs of dissemination of scientific information maintain their own programs at adequate levels.

2. That the Foundation plan the above Programs within the general annual magnitude of cost given in the third column of the figures in Annex B of this Paper, with the understanding that each year's specific request will be subject to the usual budgetary review.

3. That all Federal agencies concerned assist the National Science Foundation fully in the execution of this Program.

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ACTIVITIES TO BE UNDERTAKEN IN THE RECOMMENDED EXPANSION OF THE NATIONAL SCIENCE FOUNDATION'S SCIENCE INFORMATION SERVICE

A Scientific Information Service of the coordinating type would have such fundamental responsibilities toward existing U. S. information programs as keeping informed about their activities, constructively evaluating them, counselling with them, and assisting and strengthening (but not supplanting) them. The objective would be to ensure that any U. S. scientist can obtain any item of scientific information he needs, no matter where it originates; and to develop improvements in the organization and availability of scientific information on behalf of all U. S. scientists. Specifically, this Service would be concerned principally with the following six phases of the over-all scientific information complex:

1. Primary publications - including periodicals, monographs, and new forms of publication, such as cards and microforms.

2. Secondary publications - including abstracting and indexing services; critical reviews; and dictionaries, encyclopedias and other compendia.

3. Scientific data and reference centers which collect, tabulate, analyze and give service on research results of various kinds; and which provide ready availability of scientific literature in published or unpublished form.

4. Unpublished research information - including Government research reports, industrial scientific reports, theses, society papers and the like.

5. Translation programs, repositories, and clearinghouse operations concerned with making foreign science information available in the U. S.

6. Storage-and-retrieval and mechanical translation developments and studies as well as other aspects of information processing requiring research.

With regard to each of the above phases of scientific information and dissemination, the Service would on a world-wide basis, do the following:

1. Provide, or arrange for provision of acquisition and reference programs to provide maximum availability in the U.S. of basic materials.

2. Arrange for, or act as, a clearinghouse for information on the current status of programs.

3. Arrange for, or prepare, evaluations of coverage and efficiency of existing information programs.

4. Foster efforts to improve the efficiency of existing activities; to conduct research into improved methods, and to fill gaps in the over-all program.

5. Foster cooperation among U. S., foreign, and international organizations with similar interests in coordination with the Department of State.

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Annex B

ILLUSTRATIVE BUDGET
OF THE NATIONAL SCIENCE FOUNDATION'S OFFICE OF SCIENTIFIC INFORMATION
FOR
IMPROVING THE PUBLICATION AND DISSEMINATION OF SCIENTIFIC AND TECHNICAL INFORMATION IN THE UNITED STATES

The following budget is illustrative of the present program's requested/estimated funds for today's operation of the Office of Scientific Information, National Science Foundation, as well as the estimated increments for the Science Information Service as it goes into operation. In addition, figures are presented showing estimate of funds for a year of full-scale operation of the Science Information Service in the Office of Scientific Information, National Science Foundation:

MAJOR AREAS AND TASKS	FY 1959 as now Estimated	FY 1960 as now Requested	One Year of Full-Scale Operation
1. Foreign Science Information	1,633,540	2,121,115	1,795,000
2. Unpublished Research Information	297,920	426,480	510,000
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TOTAL	3,542,000	5,167,480	5,975,000

Column 1 - FY 1959 - as now estimated. (Total thus represents amount as requested plus what is believed to be a reasonable estimate of a supplemental amount that will be needed for today's operation in FY 1959.)

Column 2 - FY 1960 - as submitted: These figures have already been submitted by OSI/NSF for today's needs only, not taking into consideration any expansion that would occur should the Science Information Service (SIS) operation be expanded by OSI/NSF.

Column 3 - FY -X-: First year of full-scale operation of SIS by OSI/NSF.

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Annex C

LEGAL AUTHORITIES

Authority for the National Science Foundation to conduct scientific and technical information services and programs is as follows:

STATUTES:

P. L. 507, 81st Congress, (42 USC 1861, ff.), enacted May 10, 1950, titled the "National Science Foundation Act of 1950", authorized the NSF, inter alia, to

> "foster the interchange of scientific information among scientists of the United States and foreign countries" (42 USC 1862(5)),

as well as to provide a clearinghouse for information. The NSF is also authorized to

> "publish or arrange for the publication of scientific and technical information so as to further the full dissemination of information of scientific value consistent with the national interest...." (42 USC 1870(g)).

P. L. 85-864, 85th Congress (USC), enacted September 2, 1958, titled "The National Defense Education Act of 1958", title IX of which directs the NSF to "establish a Science Information Service," to

> "provide for, arrange for the provision of, indexing, abstracting, translating, and other services leading to a more effective dissemination of scientific information and ... to undertake programs to develop new or improved methods, including mechanized systems, for making scientific information available."
> (PL 85-864, Section 901)

EXECUTIVE ORDER:

E. O. 10521, of 3/17/54, relative to the NSF activities, authorizes the NSF, inter alia, to take an active role in scientific information sphere, reference specifically Sections 6 (d) and 7. Section 7 states that Federal Agencies supporting or engaging in scientific research are directed ....

> "with the assistance of the Foundation to cooperate in an effort to improve the methods of classification and reporting of scientific research projects and activities, subject to the requirements of security of information."

*****

RELEASE FOR A. M. PAPERS OF SUNDAY, DECEMBER 7, 1958

Anne Wheaton, Associate Press Secretary to the President

THE WHITE HOUSE

The President today approved a plan designed to help meet the critical needs of the Nation's scientists and engineers for better access to the rapidly mounting volume of scientific publication.

Acting upon the recommendations of his Science Advisory Committee, the President directed that the National Science Foundation take the leadership in bringing about effective coordination of the various scientific information activities within the Federal Government. The President asked that all Federal agencies whose programs involve scientific information cooperate with and assist the National Science Foundation in improving the Government's own efforts in this area.

Today's action by the President strengthens and reinforces the provision of the "National Defense Education Act of 1958" calling for the establishment of a Science Information Service in the National Science Foundation to: "Provide, or arrange for the provision of, indexing, abstracting, translation, and other services leading to a more effective dissemination of scientific information, and undertake programs to develop new or improved methods, including mechanized systems for making scientific information available."

The Committee urged that fullest use be made of existing information services, both public and private, and that the Foundation's Science Information Service supplement rather than supplant present efforts.

Dr. James R. Killian, Jr., Special Assistant to the President for Science and Technology and Chairman of the Science Advisory Committee, commented on the growing dimensions of world scientific publication to the extent that it has become a problem requiring action at the national level.

"Science and engineering are largely built on the published record of earlier work done throughout the world," Dr. Killian stated. "There are, for example, 55,000 journals appearing annually, containing about 1,200,000 articles of significance for some branch of research and engineering in the physical and life sciences. More than 60,000 different books are published annually in these fields, while approximately 100,000 research reports remain outside the normal channels of publication and cataloging. Within this vast body of world-wide scientific information, published and unpublished, lie the technical data that scientists need in order to do their work. The situation is further complicated by the fact that a large and important proportion of the world's scientific literature appears in languages unknown to the majority of American scientists, such as Russian and Japanese."

In its recommendations, the President's Science Advisory Committee outlined a program calling for the review, coordination, and stimulation, on a nation-wide basis, of activities in the areas of primary and secondary publications, scientific data centers, unpublished research information, storage and retrieval, and translation by mechanical means.

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No new agency will be required to carry out the recommended program. Under its enabling act, the National Science Foundation has devoted special attention to the scientific information needs of scientists and has developed a series of programs designed to help meet those needs. At least ten other Federal agencies are engaged in abstracting and indexing, translating, preparation of technical reports, and research related to information needs. These agencies are asked to cooperate in providing or arranging for acquisition and reference programs, clearinghouse functions, and evaluation studies of existing programs. Research on new and improved methods of information-handling will be emphasized and the Department of State will take the lead in encouraging cooperation among the United States, foreign and international scientific information organizations.

The President's Science Advisory Committee considered the whole problem of such importance that earlier this year it appointed a special subcommittee to consider the subject at length. Headed by Dr. W. O. Baker, Vice-President (Research), Bell Telephone Laboratories, the subcommittee comprises the following members: Mr. Curtis Benjamin, President, McGraw Hill Book Company; Dr. Caryl P. Haskins, President, Carnegie Institution of Washington; Dr. Elmer Hutchisson, Director, American Institute of Physics; Dr. Warren C. Johnson, Dean, Division of Physical Sciences, U. of Chicago; Mr. Don K. Price, Dean of the School of Public Administration and Littauer Professor, Harvard University; Dr. H. Scoville; Dr. Alan T. Waterman, Director, National Science Foundation.

In submitting its findings, the subcommittee paid special tribute to the work of individual scientists and engineers in selecting, interpreting, and abstracting scientific and technical information. It noted the fact that the services rendered by many of the scientific societies and professional institutions to the scientific community in the information field are world famous for their quality. It expressed the hope that such private groups would continue to cooperate with and assist the Federal Government in the achievement of long-range solutions to scientific information problems.

The subcommittee's conclusions form the basis for the recommendations submitted to the President by the Science Advisory Committee.

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FOR RELEASE IN A. M. PAPERS, SUNDAY, DECEMBER 7, 1958

Anne Wheaton, Associate Press Secretary to the President

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THE WHITE HOUSE

A REPORT OF THE PRESIDENT'S SCIENCE ADVISORY COMMITTEE

IMPROVING THE AVAILABILITY OF SCIENTIFIC AND TECHNICAL INFORMATION IN THE UNITED STATES

* * * * *

WHAT THE PROBLEM IS AND WHY IT IS SERIOUS

The long, hard look we have recently taken at the state of science and technology is this country has brought to light several areas that need to be strengthened and improved. Some of these, notably in the field of education, have aroused nation-wide concern. But another area--also in great need of attention--has attracted little or no public interest. This is the matter of scientific information--the technical data that a scientist needs in order to do his job. Yet our progress in science may very well depend upon the intelligent solution of problems in that area.

All of us use a wide variety of information every day of our lives. We glean it from newspapers, conversation, radio and television, magazines, clocks, books, meters, mail, maps and so on. The scientist, however, is interested in the specialized information that results from scientific research. The publication of research information is absolutely essential to every working scientist for two reasons: (1) It is the means by which he announces significant results in his own work, establishes priority where appropriate and invites the evaluation of other scientists; (2) It is also the means by which he keeps abreast of what others are doing in his field.

The extent to which the working scientist depends upon the work of others has been clearly stated by one of the greatest of all scientists, the atomic physicist, Ernest Rutherford. As quoted by James Newman in a recent issue of The Scientific American, Lord Rutherford said:

> I have also tried to show you that it is not in the nature of things for any one man to make a sudden violent discovery; science goes step by step, and every man depends on the work of his predecessors. When you hear of a sudden unexpected discovery--a bolt from the blue as it were--you can always be sure that it has grown up by the influence of one man on another, and it is this mutual influence which makes the enormous possibility of scientific advance. Scientists are not dependent on the ideas of a single man, but on the combined wisdom of thousands of men, all thinking the same problem, and each doing his little bit to add to the great structure of knowledge which is gradually being erected.

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The reason scientific information has become a major problem, particularly since World War II, is that the rapid rate of scientific progress has multiplied the volume of scientific information to a point where it can no longer be published and handled within the framework of existing methods. When one considers, too, that much of what is significant in science is being published in unfamiliar languages, it is clear that the working scientist is faced with almost insuperable problems in attempting to keep himself informed on what he needs to know.

Some idea of the volume of increase may be had from the fact that the science and technology periodical collections of the Library of Congress have doubled approximately every 20 years for the past century and now contain approximately a million and a half volumes, a significant fraction of the Library's total bound collections. The Library is receiving journals in science and technology at the rate of about 15,000 annually, and 1,200 to 1,500 new periodicals are appearing each year. Yet the Library receives less than a third of the 50,000 scientific periodicals that appear in the world list of 1952 and it is expected that by 1979 the total world output will reach 100,000 journals.

The language difficulty is reflected in the fact that Russian-language publications are estimated to account for a tenth or more of all the scientific literature being published in the world today. This Russian total is second only to English.

Reduced to simple terms, the scientist's problem with respect to information is: How can the present volume of research results be published promptly? What is being published now? Where is it? and How can I get at it? The purpose of this paper is to examine these problems and to suggest possible ways in which they can be solved. In particular, it will consider the question of what should be the responsibility of the Federal Government in meeting this crisis.

THE PRESENT SYSTEM

The system by which scientific information is disseminated is the result of evolution rather than any preconceived system or plan. Its defects stem largely from its inability to keep pace with the increasing volume of scientific results and literature and the absence of techniques geared to the newer forms of scientific information, such as Government reports. The situation is further complicated by the fact that a large and important proportion of the world's scientific literature appears in languages unknown to the majority of American scientists, such as Russian and Japanese.

Scientific information appears in several forms. Most significant are the highly specialized technical periodicals, called primary journals, because it is in these that new scientific results are first published. The Physical Review, Journal of the American Chemical Society, and the Aeronautical Engineering Review are examples.

Another important primary source is the monograph, an exhaustive study of some highly specialized phase of science. Because it is of interest to only a limited number of scientists, and because it often includes elaborate charts and plates, the monograph is almost prohibitively expensive to publish. The result is a lack in this country of monographs on many exceptionally important scientific subjects that should be so covered.

A second important category is the abstracting journals, such as Biological Abstracts and Chemical Abstracts. These contain summaries of synopses of papers that originally appeared in primary journals. When adequately indexed, they permit a searcher to locate previously published

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papers on any given subject. If an abstract is sufficiently informative, it may serve the scientist in lieu of the complete paper. It should be noted parenthetically, however, that the 14 major scientific abstracting services in the United States recently indicated that the almost half a million abstracts that they issue annually constitute only about 55 per cent of what they should be publishing in order to cover the literature in their combined fields reasonably well. Other important secondary sources include critical reviews, special indexes and indexing services, bibliographies, title lists, collected tables of contents, handbooks of data, and compendia of various kinds.

A recent trend of special interest is the establishment of Data Centers. When the quantity of research data in a given field becomes too great for book publication to be practical, the Data Center offers a solution. Such centers compile, correlate, standardize, and organize numerically, data representing the properties of materials or the characteristics of phenomena. Examples of such centers include the Thermophysical Properties Research Center at Purdue University; American Petroleum Institute Research Project 44 at the Carnegie Institute of Technology, which is concerned with the physical properties of hydrocarbons; the Nuclear Data Project of the National Research Council; and the National Bureau of Standards center on Selected Values of Chemical Thermodynamic Properties.

Falling outside scientific information that is published, cataloged, and indexed in the normal way, is a steadily mounting volume of Government research reports. It is conservatively estimated that upwards of 50,000 scientific reports (at least half of which bear no security classification) are issued annually by the private and Government laboratories that conduct Federally-sponsored research. Many of the newest and most significant scientific data are to be found in these reports.

A smaller body of scientific information not covered by the normal processes is to be found in such material as research findings submitted in satisfaction of Ph.D thesis requirements, industrial reports and papers presented at scientific meetings and symposia.

At the present time it is not even possible to answer the question with any degree of completeness, "What is being published now?" One would assume that, somewhere in the world, there must be a composite listing of the world's scientific--publications--perhaps even arranged by subject fields--but no such compilation exists. The establishment of such a list and its maintenance on a current basis obviously would be a very expensive undertaking, and this is one reason why it has never been done.

The basic answer to "Where can I find it?" --as far as journals are concerned-- -- is the "Union List of Serials," in the libraries of United States and Canada. Such a compilation lists periodicals alphabetically and names the libraries where each can be found. But no such union list of scientific journals now exists. A Joint Committee on a Union List of Serials covering all fields has estimated that the science and technology portion of a new union list would cost approximately three-quarters of a million dollars. It could be kept up to date only in a relative sense, since such a list is constantly changing. It follows, of course, that no comprehensive listing of the principal secondary publications is in existence either.

Then there is the problem of "How can I get it?" The scientist who needs a particular journal may find himself (if the journal is rare) far distant from the location of the nearest copy as indicated by the union list; or he may find that the article he is seeking is in a language he does not read.

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In summation, then, it may be said that both inside and outside the normal channels of scientific communication a mounting flood of scientific data threatens to swamp even the most zealous research investigator. The implications go far beyond the inability of one man, or even a group of men, to keep abreast of developments in their field. Our very progress in science is dependent upon the free flow of scientific information, for the rate of scientific advance is determined in large measure by the speed with which research findings are disseminated among scientists who can use them in further research.

HOW ARE WE GOING TO MEET THIS PROBLEM?

The situation has evolved over a lengthy period of time; during which the developing problems not only have been recognized, but have been the subject of attack on a number of separate fronts. These efforts have been handicapped, however, by the lack of over-all coordination and sufficient funds with which to support really effective remedies.

What is Already Being Done?

All along the line there have been sincere efforts to cope with the problems. Primary journals have expanded substantially in recent years and the scientific societies have helped to cover the increased costs by raising dues and subscription prices. In an effort to conserve space, greater and greater condensation of papers is being required, with the result that there is danger of few people besides the author and his immediate colleagues being able to understand a paper. There is constant search for cheaper production methods and many journals levy page costs upon the authors, so that scientists must pay for the privilege of having their research findings published. Such financial help as the Government has given has been limited, consisting largely of short-term emergency grants made to tide a particular journal over a rough spot or to launch a new journal that is badly needed in order to fill a gap. Some agencies pay page costs for their employees and their contractors' employees when they publish.

Federal aid has also been provided in the form of temporary assistance to commercial abstracting and indexing services, including funds to support the establishment of a National Federation of Science Abstracting and Indexing Services, designed to bring cooperative efforts to bear upon mutual problems. A few Government agencies publish or partially support certain secondary publications in subject fields of particular interest to them.

It is generally agreed, however, that the magnitude and seriousnes of the problem are such that a long-term solution requires fundamental research into the problem and widespread application of machine methods and techniques. In other words, science must look within itself for a new system that will meet present-day requirements for the location, storage, and retrieval of scientific information.

A number of industrial firms have developed, and are using successfully, mechanized storage and retrieval systems tailored to their own needs. Large manufacturers of business machines and computers are becoming increasingly interested in the application of their equipment to information-processing problems. A dozen or more universities are carrying on research in the information-handling field, including studies of existing patterns of scientific communication in various subject fields, research in mechanical translation, development of procedures for determining how scientists use technical information, and research on actual mechanical systems for information storage and retrieval. Within the Government, the National Science Foundation has supported research on scientific information problems to the extent that available funds have permitted.

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Efforts are also being made to improve the availability of foreign scientific information. The emphasis is on Russian research results because Soviet scientific publications are second only to our own in number, and because so few scientists in this country read Russian. Of the 61 Soviet journals available here on subscription in cover-to-cover translation, about 34 are being supported principally by the National Science Foundation, with assistance from the Atomic Energy Commission and the Office of Naval Research. Nine are supported by the National Institutes of Health; the rest are issued commercially.

In the field of unpublished documents the Office of Technical Services, Department of Commerce, lists some 7,500 such documents each year in its abstracting journal, *U. S. Government Research Reports.* Copies of all items so announced can be obtained in original form or in photoreproduction. The Library of Congress is building in its Science and Technology Division an open reference collection of unclassified reports. The National Science Foundation maintains a clearinghouse for Government research information to provide scientists information on Government-supported research in their fields and the reports that are available.

Thus a considerable amount of work is being done on serious scientific information problems. From the standpoint of national welfare, however, these efforts are on far too small a scale to deal with the over-all problem. The question then remains as to how it can be met.

What Should be done for the Future?

Two alternative possibilities have been advanced. One would be the establishment of a large and highly centralized scientific information agency, financed by the Federal Government or by government and private industry. A second would be the establishment of a science information service of the coordinating type, which would strengthen and improve the present system by taking full advantage of existing organizations and the specialized skills of persons with long experience in the field. Let us examine the respective merits of these alternatives.

A Single Large Operating Center? The proposal to solve existing problems in the field of scientific information by the establishment of a single large operating center, financed wholly or in part by the Federal Government, may have been suggested by the experience of the Soviet Union with its All-Union Institute of Scientific Information. The organization and operation of the Institute implies that the Russians recognize the magnitude and importance of the problem by their decisive and aggressive attempts to meet it. Available evidence indicates that the Institute operates effectively in meeting the needs of Russian science. But, it must not be overlooked that in planning the establishment and operations of the Institute, the Russians could not call upon the services of scientific information organizations such as we find already in existence in the private enterprise structure of our country, and which have been in operation many years.

The solution the Russians have developed for meeting their own problems in our judgment *would not* be equally effective in meeting ours. The Russian Institute is organized along the lines that are basically compatible with the organization and administration of research in the Soviet Union, which, of course, is controlled by the Central Government. Our own research efforts are organized and administered very differently, and it is illogical to suppose that a highly centralized organization for the dissemination of research information would serve our purposes equally well. Whatever its faults may be, our present system has developed along the lines of individual initiative and private enterprise that are very basic to our institutions.

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The primary journals, as well as the abstracting services, are published under the benign auspices of the scientific societies who are in a better position than anyone else to appreciate the information problems of scientists. Existing services, moreover, represent a considerable investment of private capital. Chemical Abstracts, for example, which has operated without Government subsidy, had a 1957 budget of approximately $1.5 million. Although most of the journals and services have smaller budgets and many do receive some Government support, the total private investment in the publication and dissemination of results of scientific research runs into many millions of dollars. The mere mechanics of transforming the existing decentralized system of private enterprise into a strong central agency are enough to stagger the imagination.

From a purely practical point of view, it must be remembered that much of the day-to-day work involved in the dissemination of scientific information--that is, the writing, editing, abstracting, translating, and so on--is done either by scientists or people with technical skills of a very high order. Many of these people perform such chores in addition to their regular scientific work and it is quite inconceivable that they could be induced to affiliate themselves on a full-time basis with a centralized agency. Put the matter another way: The case for a Government-operated, highly centralized type of center can be no better defended for scientific information services than it could be for automobile agencies, delicatessens, or barber shops.

A Science Information Service? The second alternative, however, could lead to an integrated, efficient and comprehensive scientific information service that would take advantage of privately supported programs as well as the very extensive work being done by the Federal Agencies -- that is, it would strengthen rather than supplant them. Specifically, this solution calls for the establishment within the Government of an organization that might be called a Science Information Service. Such a Service would assist, cooperate with, and supplement the many existing scientific information programs but would "take over" none of them. It would retain the benefits of the existing complex of scientific information services while working at the same time toward remedying its defects. Such a program would be in the best American tradition of private enterprise and Government working together voluntarily for the national good.

The Service would have two important functions: (1) through effective coordination and cooperative effort of public agencies and private organizations to capitalize upon and improve existing facilities and techniques in such a way as to afford immediate relief to short-term problems of a pressing nature; and (2) to encourage and support a fundamental, long-term program of research and development, looking to the application of modern scientific knowledge to the over-all problem through the application of machine techniques and through yet-undiscovered methods.

Under the first category the Service would help to answer the scientist's fundamental questions: How can the present volume of research results be published promptly? What is being published now? Where is it? and How can I get it?

In the area of primary publication, the Service would provide financial assistance where needed for the publication of journals and monographs. It would encourage publishers and scientific societies to experiment with new and streamlined methods of publication designed to increase efficiency, improve services, and decrease costs. Similar cooperation would be encouraged among the producers of secondary publications, and financial assistance provided when necessary.

The Service would provide the answer to "What is being published now?" by sponsoring, and if necessary supporting, the immediate preparation of world-wide lists of both primary and secondary scientific research publications, subject-classified and indexed. It would perform

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a similar task with reference to a union list of scientific and technical periodicals and provide a clearinghouse of information on abstracting and indexing services throughout the world. It would review the newly developing field of Data Centers, compiling information on those that now exist, analyzing overlaps and duplications, and defining areas where new centers are needed.

The whole area of foreign scientific information would be scrutinized and the translation of Russian science expanded to the extent needed to provide full coverage. Additional translation programs in Japanese and other languages would be initiated as needed.

The Service would give special attention to the area of Government scientific reports by expanding the existing announcement system to include every significant unclassified report. It would also expand and improve facilities for making copies of these reports available upon request. It would foster cooperative projects among the agencies to promote greater efficiency in the preparation, processing, and dissemination of Government reports.

It would seek to expand and improve inter-library exchange agreements throughout the world, photocopying processes, and other ways and means of bringing to the scientist copies of items unattainable through normal channels.

All of these things, the Service, with sufficient funds and backing, could proceed to do at once. For the longer term, the Service should support a continuing program of research and development through grants and contracts, looking to the widespread application of machine techniques to such problems as storage, retrieval, indexing, and on a higher plane, to such problems as translation and abstracting.

CONCLUSION

It is clear that in the realm of scientific information, the scientist has neglected his own needs. As a nation we have readily applied modern scientific knowledge to the solution of much more difficult problems. If the Federal Government will establish a national coordinating service of the type that has been described, we can move toward solution of a problem that is vital to our progress in science.

Fortunately a new agency will not be required to meet this need. The National Science Foundation, whose enabling Act charges it with specific responsibilities for scientific information, already has a pilot program in this field and hence useful experience and special competence. The Foundation plays a coordinating role with respect to basic research and policy matters within the Federal Government. The establishment of the Science Information Service within the Foundation could be easily achieved by the extension of the Foundation's present program.

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The Committee therefore recommends that the National Science Foundation expand its scientific information program to constitute a Science Information Service that would serve to aid and coordinate existing governmental and private efforts.

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Dr. William O. Baker
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CABINET PAPER—PRIVILEGED

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CP - 58-86

November 28, 1958

THE WHITE HOUSE

Washington

THE CABINET

Improving the Planning and Management of the Scientific and Technological Programs of the Federal Government

For consideration by the Cabinet, attached is a paper prepared by the Special Assistant to the President for Science and Technology. This paper is based on a certain section (cited by page numbers) of a recent Report of the President's Science Advisory Committee. The full report is attached to the Cabinet Paper as the Annex.

The recommendations in the Cabinet Paper were drawn up in consultation with the Departments and Agencies principally concerned and were specifically reviewed by the National Science Foundation, the President's Advisory Committee on Government Organization and the Bureau of the Budget.

The concurrence of the Cabinet and the approval of the President are sought only for those recommendations which are presented and discussed in the Cabinet Paper. It is hoped that the full report of the President's Science Advisory Committee may be released for publication at an early date. The full report may also be useful to the principal departments and agencies concerned for their consideration and guidance.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP - 58-86

November 28, 1958

The White House
Washington

THE CABINET

Improving the Planning and Management of the Scientific and Technical Programs of the Federal Government

The Problem: How can the Federal Government achieve more effective cooperation in planning and managing its programs in the fields of science and technology so as to improve the conduct of research and the use of science by the Government, itself, and to further the nation's over-all scientific effort ?

Discussion: It should be possible to increase the country's strength in science and technology not by asking for vast new sums of money, but by using available resources more wisely and economically, by discovering new opportunities for fruitful research, and by encouraging various government agencies and departments to work steadily to increase the quality of their planning and management efforts. The size and importance of the Government's research and development programs exert a powerful shaping influence on the nation's science and technology and impose new requirements on the Government for better planning and organization.

Government agencies that require research and development programs to perform their missions have large areas of common interest. Although a particular development project may be unique to the mission of a single Government agency, it will have its roots in one or more of the sciences. What research will uncover, no one can foresee, nor can anyone foresee how a development may benefit from an obscure finding in one corner of the great edifice of science. In broad areas of research, therefore, where Government agencies have a substantial common interest, there is an opportunity to benefit greatly from more systematic cooperation.

An instrument of Government is needed to devise ways and means for more effectively planning and managing the Government's programs in science and technology and in achieving their effective coordination. An organized means for bringing to the Special Assistant to the President for Science and Technology the advice and assistance of policy officials in the major research and development agencies would promote a better relating of their activities to each other and to research carried on outside of Government.

Such an instrumentality could serve as:

1. A means for considering the impact of Government research and development programs on non-Governmental programs and institutions for the purpose of furthering in every proper way the general advancement of American science and technology.

2. A channel of communication and a source of policy recommendations to the Special Assistant and to the President from the Federal agencies and departments actually charged with the responsibility for planning and operating programs in science and technology.

3. A means by which Government agencies could jointly consider proposed policies, plans, and programs and the impact of such proposals on their own programs or administrative policies and practices.

4. A means for achieving common implementation of policy decisions in the fields of science and technology by promoting cooperative action among the Government agencies concerned.

If an interagency council were established to perform these functions, it could be charged with planning, recommending, and--when decisions are made--implementing two kinds of policies. On the one hand, the council could recommend and advise on administrative or management policies; on the other hand, it could recommend and advise on program policies.

Samples of problems relating to administrative or management policies which the council might consider are:

1. Ways of improving policies that govern agencies and departments in their Government-university relations in science and technology.

2. Ways by which Government agencies and departments in planning research and development programs can relate capital requirements and available manpower to their scientific and technological needs.

3. The extent to which the Government should support the establishment of additional scientific research institutes.

Examples of problems relating to program plans which the council might consider are:

1. Support of new fields of research which are related to the missions of more than one agency; for example, meteorology and oceanography.

2. Support of large scientific instruments and facilities needed in the scientific and technological programs of more than one agency; for example, research and development in the field of high temperature materials.

In developing policies in these problem areas an interagency council could be of assistance to several Government agencies whose activities are not presently well planned or coordinated. Although there have been other attempts in the past to relate such activities of various Government agencies to each other and to research carried on outside of Government, these attempts had limited objectives. Each agency or department has tended to formulate its own policies and programs in science and technology with insufficient reference to those of others. Without in any way encroaching upon the freedom and authority of any on department or agency to fulfill its mission, there is still an opportunity especially in basic and applied research, to plan ahead and to pull together the policies and recommendations developed in different agencies of the Government with a view to integrating and reconciling them as a whole. All agencies could benefit greatly from the opportunity to cooperate more effectively in formulating thoughtful policies for planning and managing their scientific and technological programs.

Conclusion: After studying this complex problem the President's Science Advisory Committee recommends the creation of a new group composed of policy-making representatives drawn from those Government agencies which spend substantial sums for science and technology. This new group would have broad responsibilities for advising the Special Assistant to the President for Science and Technology as to policies which would facilitate the resolution of common problems and would help promote interagency cooperation in developing plans and programs designed to strengthen the national effort in science and technology. (See Annex, pages 5 to 9 for fuller discussion of this conclusion and the recommendation which follows.)

Recommendations: An interagency council should be established by the President to promote coordinated policy planning and more effective management of Federal programs in science and technology.

a. It should be the functions of the council to:

(i) Consider the impact of Government research and development policies and programs on non-Governmental programs and institutions for the purpose of furthering in every proper way the general advancement of American science and technology.

(ii) Consider problems and developments in the fields of science and technology affecting more than one department or agency and recommend policies and other measures to promote more effective planning and administration of Federal programs in these fields.

(iii) Strengthen Government programs in science and technology, by promoting effective utilization of Government resources, and by promoting full cooperation among Government agencies in the development of programs and plans to meet future scientific and technological needs.

(iv) Consider and recommend measures for the implementation of policy decisions affecting the administration and conduct of Federal programs in science and technology.

b. The council should be known as the Federal Council for Science and Technology.

c. The chairman of the council should be the Special Assistant to the President for Science and Technology.

d. The Special Assistant to the President for Science and Technology should see that matters of Presidential concern raised by the council are placed before the President.

e. Membership on the council should be accorded each department or agency with substantial responsibility in science and technology. Secretaries of the departments should designate as representatives to the council policy level officials who are able to represent their departments as a whole. Independent scientific agencies should be represented by their agency heads.

(i) A suggested initial membership is as follows:

National Science Foundation	- Director
Atomic Energy Commission	- Commissioner
National Aeronautics and Space Administration	- Administrator
Department of Defense	- Director of Defense Research and Engineering
Department of Health, Education and Welfare	) The policy official designated by the secretary to represent the department in matters of science and technology.
Department of Interior	)
Department of Commerce	)
Department of Agriculture	)

(ii) Other departments and agencies with smaller research and development budgets should be represented when matters of concern to them are discussed. It is also recommended that a representative of the Bureau of the Budget and the Science Adviser to the Secretary of State attend meetings of the council as observers.

(iii) Provision should be made to meet the council's secretariat and other requirements. It is recommended that such support be furnished by the office of the chairman who would rely on departments and agencies to provide assistance as needed by the council.

f. Implementation should be as follows:

(i) Upon the approval of the above recommendations, an executive order will be required to establish the council and to designate the chairman, members, and functions. The directive should indicate the continuance of responsibility by the National Science Foundation in developing policies for the promotion and support of basic research and education in the sciences as set forth in its statute and in Executive Order 10521. Provisions of Executive Orders 10521, and 9912 which established the Interdepartmental Committee on Scientific Research and Development, should be reviewed to ensure that they are consonant with the responsibilities of the council.

(ii) The secretary of each department having substantial responsibilities in science and technology should designate as a representative to the council a policy level official who is able to represent the department as a whole. Other independent agencies should be represented by their agency heads as suggested above.

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ANNEX TO
CP - 58-86

STRENGTHENING U. S. SCIENCE

A Report of the

President's Science Advisory Committee

November 28, 1958

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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Report of the President's Science Advisory Committee

STRENGTHENING U. S. SCIENCE: THE ROLE OF THE FEDERAL GOVERNMENT

Of all the forces shaping and reshaping life in America, some of the most insistent and powerful spring from science and technology. The full power of these forces could scarcely have been envisaged by the framers of the Constitution however great their interest in science, and as a result, the Federal Government, over the years, has had to improvise, sometimes brilliantly, a variety of ways to undertake scientific research and development in areas of great national need. In the thirteen years since the end of World War II, science and technology have pushed to the forefront of national life with an urgency that no Congress or President serving in the first four decades of this century could have imagined. This year the U. S. Government will spend over $5 billion on research, engineering and development, substantially more than it spent in the entire four decades 1900 - 1939 -- and more than the total Federal budget of a generation ago.

This year's Federal money will pay for about one half of all the scientific research, engineering and development carried out in the U. S. The other half will be paid for by industry, by universities and by private research foundations. Less than half of the Federal research and development budget is spent in Government laboratories; most of it is spent in laboratories owned and operated by industry, universities and other private groups. The largest sponsors of Federal research and development are the Department of Defense, the Atomic Energy Commission, the Department of Health, Education and Welfare, the National Science Foundation, the Departments of Agriculture, Interior and Commerce, and the National Aeronautics and Space Administration. Together these eight departments or agencies administer over 95 per cent of the total Federal research and development budget.

It is apparent from the size of this effort that the Government exerts a powerful shaping influence on all U. S. science and technology. Not only the nation's security but its long-term health and economic welfare, the excellence of its scientific life, and the quality of American higher education are now fatefully bound up with the care and thoughtfulness with which the Government supports research. If this support is halting and erratic, if it emphasizes mechanism and "hardware" to the neglect of fundamental understanding, if it lavishes money on a few popular fields and starves others of importance, if it fails to encourage exceptional men and exceptional programs, the net result could be an impoverished science and a second-rate technology.

One of the clearest lessons to emerge from the history of science is that various scientific disciplines -- seemingly unrelated -- have a way of stimulating and fructifying each other in an unexpected manner. This complex back-and-forth interplay is the life and soul of science and technology -- there can never be too much of it. The most impractical thing that can be done in designing and directing programs of scientific research is to worry overmuch about how "practical" they are. The secrets and treasures of Nature are hidden in the most obscure and unexpected places. It is clear, therefore, that the strongest scientific program is the program with the greatest breadth and scope. It is impossible to predict from which quarter the next scientific advance will come; but we can try to make sure that the nation has able people at work across the whole scientific frontier.

Considering the speed and recency with which the U. S. has been thrust into the new age of science, the nation must be more determined than ever before to shape its policies and methods to achieve new levels of excellence.

CABINET PAPER

For Consideration

In the past, major advances in the Government's management of science have come about under the pressure of emergencies. Ways now must be found for recognizing the importance of stability and other long-term goals, while preserving the flexibility to respond to emergencies.

The heightened importance of science is increasingly imposing new requirements on Government to move forward on the broadest possible front. Research programs demand not only greater stability and continuity, but also, a more balanced division of effort among the various categories of research and development. Purposeful consideration needs to be given to the capital requirements associated with expanded scientific activity in order to support and exploit new research opportunities, as well as to improve and sometimes invent the tools of science themselves, and to provide scientific organization equal to the most advanced techniques.

By properly relating science to its policy-making, by improving the management of its own research programs, and by devising thoughtful means for supporting research in private institutions, Government can more effectively use science and technology not only to solve today's specific problems, but also to provide in the years ahead continued leadership on a wide scientific front.

No one should infer from this report that U. S. science is beset with fatal flaws or deficiencies. Actually, it has a scope and depth unequalled anywhere in the world. In less than a generation, the U. S. has wrested scientific leadership from its birthplace, Europe, and since 1945 over half of all Nobel Prizes in the sciences have been awarded to Americans. The Federal Government has played an important role in this achievement. But continued leadership in science will require a more diligent and farsighted effort on the part of Government--as the largest supporter of research--to see that its influence on U. S. science is informed and guided by wise and coherent policies.

THE PROBLEMS AND THE OPPORTUNITIES

The year 1958 seems an especially fitting one for the nation to make a searching study of the administration of its scientific and technological program -- to inquire into its strengths, weaknesses, problems and requirements. A strong case can be made for intensifying the nation's scientific effort in a dozen or more fields, ranging, for example, from geophysics and biophysics to linguistics and social psychology. A better understanding of geophysics would reduce the cost and difficulty of finding new raw materials, needed in ever increasing volume. A deeper knowledge of biophysics would contribute to the understanding of heart disease and cancer, which together kill nearly 70 per cent of all Americans. Advances in linguistics could greatly simplify the unsolved and growing problem of formulating and communicating new knowledge. And advances in social psychology might help to reduce tension and conflict at every level of human intercourse -- in our communities, in business and industry, in Government, and even among nations.

It is the responsibility of the Federal Government to see that the vast sums it will be spending on research and development in the years ahead are spent as fruitfully as possible. For lack of fully integrated policies and an adequate organizational structure in the past, the national program has seemed at times to be seriously deficient in stability, in continuity, in balance and in giving proper emphasis to creative research in the over-all allocation of funds. Too often, starts and stops and changes in research programs have thrown the national effort off balance and have damaged morale in laboratories vital to the national defense and well-being.

Many vital public and private laboratories dependent on the Government for assistance still cannot look forward to stable or sustained support. Each year numbers of them must set aside valuable time to go back to the supporting agency, hat in hand, seeking another year's financing. Often a large laboratory must assemble funds from a number of Government agencies and then perform a complicated juggling act to adjust equipment costs, overhead, and salaries to match its income.

The unremitting -- and legitimate -- military pressure to obtain new weapons tends inevitably to unbalance the national research and development program by over-emphasis on development and technology. "Research and development" is an elastic term that covers a broad spectrum of activities which encompass basic research (the search for new knowledge and understanding), applied research and exploratory development (early efforts to convert science into technology), and finally, development itself (the calculated effort to design and build something new and useful).

Of the Government's total research and development budget, it is estimated that about six per cent is earmarked for basic research. The remainder pays for applied research and the development of an almost endless list of "things" -- such as ballistic missiles, jet planes, satellites, nuclear reactors, insecticides, vaccines, drugs, computers, rocket fuels, and space suits. Especially since the Korean War (1950-'52) the money available to develop "things" has risen far more swiftly than the money available for basic research.

Also undernourished, along with basic research, is "analytical engineering" or applied or supporting research--the sophisticated scrutiny of available knowledge to determine what sort of "things" are possible to build, or to invent (if need be) and which are not, and what may be the magnitude of their cost. It is obvious to everyone in "development" that the design of "things" is handicapped at every turn both by lack of basic knowledge and by this critical analysis of what it is possible to create with the knowledge available. While difficult to prove, there is little doubt that a more vigorous support of basic research -- and "analytical engineering" --over the past decade would now be paying rich dividends in making "things" easier and less costly to develop. It also would minimize the need for expensive crash programs. In any case it is difficult to imagine more fruitful and prudent ways to spend the taxpayer's money than on basic and applied research. Today, the average American's contribution to basic research, in the Federal budget, is less than $2 a year. A relatively small increase in this figure by reallocation of funds, could have a tremendous impact on the national science program.

The Challenge of New Frontiers

With more emphasis on basic studies, the Government would be able to nurture research in wholly new areas of science. These new areas arise, from time to time, out of basic new discoveries, often tied to the invention of new scientific instruments. The most dramatic example of this kind is the immense stimulation given to nuclear physics by the invention, some thirty years ago, of machines that accelerate atomic particles.

In other areas of science, notably meteorology, progress has been handicapped by lack of tools and facilities adequate for the job at hand and of adequate numbers of trained research personnel. The U. S. now spends less than $5 million a year for basic research in meteorology, yet a single tornado can destroy scores of lives and ruin millions of dollars worth of property.

And hurricane Diane, of 1955, produced record floods in five states and a billion dollars worth of destruction. Compared to the immense forces at work in these great storms, man's efforts at understanding have been puny and ineffectual. Commendably, private and Government action is now being initiated on a proposal made early this year by a special committee of the National Academy of Sciences, which recommended a substantially greater effort in atmospheric research.

Meteorology is just one example of a field deserving greater attention. Some others are geophysics, radio astronomy, biophysics, linguistics, and social psychology. Oceanography is another promising field which has received inadequate attention. For the study of the oceans the U. S. has only a few research vessels all inadequately equipped. A vessel specially designed and constructed for oceanographic research has not been built in this country since 1930.

The U. S. must be both resourceful and wise in devising new means and in conceiving new institutions for carrying out the challenging jobs that lie ahead. For example, it has been suggested that a special institute should be created to work exclusively on new metals and materials, if we are to obtain the strength and heat resistance demanded by our unfolding technologies -- both military and non-military.

But before proposing such an institute, national policy makers will want to be sure that there are not more effective ways for doing the job. Whenever large new problems in scientific research push to the fore there seems to be great attraction in proposals to create new institutes. But such proposals, if not carefully appraised, could undermine long-range success. It may be that attracting young graduate students into bold new work will be necessary if we are to guarantee that requirements for future manpower will be met. If this is true, perhaps university research on materials, already substantial, should be expanded and graduate students educated with a broader and more fundamental understanding of materials. The field of materials also represents a promising synthesis of ideas which could be effective in underwriting engineering education with supporting research. Perhaps Government laboratories presently operated by the AEC, the NASA, the Bureau of Standards, or the Bureau of Mines should be encouraged to work more intensively on metals and materials. Also one must take into account the excellent research going on in many industrial laboratories. The point to be emphasized is that the decision is not a simple one, and it is typical of the many that the Government is not presently well-equipped to implement.[1/]

Despite the pressing need for tackling new scientific and technological problems with large-scale facilities, we must give full scope to the individual scientist who prefers to work alone or in small groups. He must be given

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[1/] In a policy statement on the subject of National Research Institutes issued by the National Science Board in June 1958, the Board, in commenting specifically on new institutions for basic research, stated: "In particular fields or subfields of science, the needed effort may be of such character, magnitude or urgency as to render desirable the creation of completely new institutions for specialized basic research. However, in any such instance there must be ample evidence that existing facilities are inadequate or inappropriate."

the opportunity to work as he deems appropriate, for the history of science has taught us time and again that the memorable advances -- the kind that shape technology for decades and centuries -- usually are the work of rare minds, able to see beyond what others believe to be the pressing problems of the day.

To provide certain large new facilities such as high energy nuclear accelerators will take sizeable investments of capital for which Government may have to be the primary source. To support outstanding individuals and small groups working in highly speculative areas, the logical and appropriate source of support is the private philanthropist -- either an individual or a foundation or a corporation.

The importance of strong and continued private support of science can scarcely be over-emphasized. As in the past, private foundations - either by operating facilities of their own or by supporting university research - can move with a speed and boldness that Government will always find hard to imitate. Nor should it try. The private foundation is especially able to attract administrators, deeply devoted to science, who can make a rewarding career of searching the universities for the exceptional young men and the exceptional programs that need and deserve encouragement. Government can seldom hope to work on the intimate scale that this search requires.

Relatively modest private outlays can be of great value, for example, in supporting the careers of able young people who may be attracted into new scientific disciplines through fellowships. While Government and private fellowships are available to stimulate study in new fields, students may be inhibited from choosing careers in new scientific areas if they fail to see opportunities for further professional growth. If these fields are to prosper, private sources of funds must provide academic chairs and professorships or other long term support which Government finds difficult to guarantee. It is vitally important, therefore, that the Government's science policy does not discourage private support of science, and, indeed, takes pains to encourage more of it.

The job of strengthening U. S. science is so broad that there is ample room for Government, industry, universities, foundations, and individuals to find a challenging and rewarding role to play. And it is vital to the future growth of American science that all these components participate in the support and encouragement of research.

GOVERNMENT PLANNING AND MANAGEMENT

As administrator of a vast and highly diversified research and development effort, the Government faces a task of almost incredible complexity. On the one hand, it seeks fundamental new knowledge about Nature -- starting inside the atom and extending to the edge of the universe -- and, on the other, it must seek solutions to a myriad of practical and urgent problems, ranging from the design of ICBM's and nuclear power plants to the treatment of mental illness and cancer. What research will uncover, no one can foresee, nor can anyone foresee how a development project may benefit from an obscure finding in one corner of the great edifice of science.

Considering the dimensions and complexity of its task, it would be surprising if the Government had devised the most effective ways and means for managing such a gigantic and varied program. There have been other attempts in the past to relate the research and development activities of various agencies to each other and to research carried on outside of Government. From time to time the National Security Council and the Operations-Coordinating Board have drawn upon the advice and help of various government agencies in formulating national policies in specific areas of science and technology. In addition, the National Science Foundation has developed and recommended national policies for the promotion of basic research and science education. The Interdepartmental Committee on Scientific Research and Development also has constituted a useful mechanism for the exchange of information among research and development agencies and has been a source of policy recommendations dealing principally with scientific and technical personnel problems and the administration of Federal laboratories. But these attempts have had limited objectives and the fundamental problem remains unsolved. Each agency and department continues to formulate its own policies in science and technology with insufficient reference to the policies of others. Without in any way encroaching upon the freedom and authority of each department or agency to manage its own programs, there is still an opportunity to pull together the policies and recommendations developed in different agencies of the Government with a view to integrating and reconciling them as a whole.

What Route to Improvement in Planning and Management?

It should be possible to increase the country's strength in science and technology, not by asking for vast new sums of money, but by spending available sums more wisely, by discovering new opportunities for fruitful research, and by encouraging various Government agencies and departments who support research and development to work steadily to increase the quality of their planning and management efforts.

For the last twelve months the President has had, for the first time, the services of a Special Assistant for Science and Technology. The Special Assistant, in turn, has been strongly supported by the President's Science Advisory Committee. The Committee has opened new channels of communication between the White House and the nation's scientific community, and has offered advice and recommendations vitally affecting public policy both domestic and foreign.

What is still lacking is an effective instrument of government made up of representative Government officers, that can promote closer cooperation among Federal agencies in planning and manging their programs in science and technology and in achieving their coordination. One suggestion frequently made is that all the Government's numerous scientific and technological operations be brought together in a single department -- presumably under a Secretary of Cabinet rank. However, many of the scientific and technological activities of existing departments --notably Defense, Interior, Agriculture, and Health -- are directly related to the missions of these departments and could not be satisfactorily administered by a single department far removed from the problems that are supposed to be solved. Other scientific programs, notably those of the AEC, the National Aeronautics and Space Administration, and the National Science Foundation, are of a unique nature and in support of specialized missions so that their present administration by individual agencies would appear, after all, to be the most effective.

It is also important to recognize that Government agencies and departments need considerable independence and latitude to carry out their assigned responsibilities. The Department of Defense, with its complex requirements for weapons and weapon systems, must be free to sponsor imaginative and creative research -- both basic and applied -- if its development programs are not to become sterile. Yet a way must be found to preserve this departmental freedom, while encouraging all agencies to meld their individual efforts under broad common policies that seem both reasonable and desirable.

An instrument of Government for bringing to the Special Assistant to the President for Science and Technology in an organized way, the advice and assistance of policy officials in the major research and development agencies could help immeasurably in improving the planning and management of the scientific and technical pro grams of the Federal Government.

Such an instrumentality could serve as:

1. A means for considering the impact of Government research and development programs on non-Governmental programs and institutions for the purpose of furthering in every proper way the general advancement of American science and technology.

2. A channel of communication and a source of policy recommendations to the Special Assistant and to the President from the federal agencies and departments actually charged with the responsibility for planning and operating programs in science and technology.

3. A means by which government agencies could jointly consider proposed policies, plans, and programs and the impact of such proposals on their own programs or administrative policies and practices.

4. A means for achieving common implementation of policy decisions in the fields of science and technology by promoting cooperative action among the government agencies concerned.

Meeting the Need

After studying this complex problem the President's Science Advisory Committee recommends the creation of a new group composed of policy making representatives drawn from those government agencies which spend substantial sums for research and development. This new group, which might be known as the Federal Council for Science and Technology, would have broad responsibilities for advising the Special Assistant to the President as to policies which would facilitate the resolution of common problems and would help promote interagency cooperation in developing plans and programs designed to strengthen the national effort in science and technology. It would seem appropriate that the Chairman of the Council for Science and Technology be the President's Special Assistant for Science and Technology. In addition to being the President's principal science adviser, he sits in on meetings of the Cabinet and the National Security Council. When appropriate, policy matters growing out of the deliberations of the Council could be brought before the President, the Cabinet, the President's Science Advisory Committee, or all three, by the Special Assistant. For it is, indeed, his responsibility to see that public policy benefits from whatever contributions science and scientists may be in a position to make.

In recommending policies and other measures that will promote more effective planning of Federal programs in science and technology, the Council should prepare a projection of the program costs needed to meet the scientific and technological needs of the Federal Government. In preparing the projection, the Council should carefully examine the plans of individual agencies, and seek to promote full cooperation among them in developing programs that will meet their common scientific and technological needs, but which will eliminate unnecessary overlap and duplication. The projection should include estimates of new capital requirements and take into account the proper utilization and balance of the scientific and engineering resources the Government requires. It should also consider the level and type of research financed by the private sector of the economy, and see, so far as possible, that public and private efforts are complementary. In evolving its three-year projection the Council should act with detachment and responsibility so as not to encroach upon the prerogatives of departmental secretaries, agency heads, or the Bureau of the Budget in the annual budget process. The three year projection should be submitted to the President or the Cabinet after appropriate review by the Special Assistant in consultation with the Science Advisory Committee.

For the Federal Research Council to discharge its large responsibilities effectively, it will need able members with adequate authority. The Secretary of each Government department with scattered research and development activities should delegate general policy responsibility to a single individual who will thus be able to represent effectively all the technical activities of his department as a whole. In such cases, the Director of Defense Research and Engineering in the Department of Defense exemplifies the type of representative the Council needs. Other agencies that are primarily scientific should be represented by their directors or agency heads. The Bureau of the Budget might also advantageously assign an observer in view of the Bureau's overall responsibilities in Government planning and management.

It also will be necessary to meet the Council's staff requirements. Staff support could be furnished by the office of the Chairman with assistance from personnel in the National Science Foundation and in other departments and agencies. The National Science Foundation makes numerous basic surveys in science both inside and outside of Government, and good liaison between the Foundation and the Council would be helpful and productive. The Bureau of the Budget also could be helpful to the Council in evolving its plans for meeting long-range needs in science and technology and in determining capital requirements. Nowhere in Government today, for example, is the total research and development budget adequately reviewed as a whole distinct from the program or an individual agency. Nowhere is it reviewed in terms of its technical content and objectives apart from budgetary examination. Nor is there a current procedure for separately reviewing the research portion of the total budget. The uncoupling of research from development in the budget process would be of considerable assistance in determining the appropriate level of support of each of the several categories of research and development as well as the soundness of the total allocation.

Establishment of a Federal Council for Science and Technology will not automatically solve all the management problems of the Government's research. But if the Council acts wisely and boldly, and if it is supported enthusiastically by the various agencies concerned, it can play a profound role in underwriting the United States' scientific leadership in the years ahead.

STRENGTHENING GOVERNMENT LABORATORIES

Government departments also can do a number of things individually to improve their own management of research -- and ensure a fuller and more economic use of their scientific resources. As a first step, top policymakers in Government departments should be helped to appreciate the manifold ways science and technology could assist them in carrying out their departmental missions and responsibilities.

In this regard the patterns prevalent in industry are worthy of careful study. An industrial complex composed of independent operating divisions, each with its science and engineering activity, usually has on the policy staff a vice president for research. This official makes and coordinates policy and does the corporation planning for all new technical activities.

Presently, there are several scientific bureaus within Government departments which do not have a comparable means for reporting to their secretaries. The Secretary of each department concerned should appoint an appropriate assistant to keep him in intimate touch with the department's scientific and technical staff and provide policy supervision over their activities. This assistant could bring technical facts to bear on the business of policy making and represent his department as a whole in coordinating national policy in science and technology.

Once the over-all scientific and technical needs of a department are understood and defined, the supporting missions of each laboratory or technical group could be more carefully determined. A mission, clearly stated, will greatly help a laboratory to plan and execute a vigorous and imaginative program. If these missions are significant in terms of national need and in scientific content and challenge, they will enable a department to provide better balance between its in-house research and that performed outside of Government.

There are excellent private and public laboratories working on programs for the Federal Government. The choice between these two types of operations should be based on careful judgments of where the work can best be accomplished. Both Government and industrial firms have facilities and experience that would be difficult for the other to duplicate. Sometimes a university, with its academic strength, provides the more suitable environment. Still, however, some Government researchers have tended to lose heart as the number of contract-operated laboratories has grown over the last decade. Government laboratories are vital national assets whose activities will need to keep pace with the growing magnitude of Federal research and development programs. Undue reliance on outside laboratories in placing new work of large scientific interest and challenge could greatly impair the morale and vitality of needed Government laboratories. This is an important reason why it is necessary to understand those factors in Government laboratories which can improve morale and add significantly to their capabilities.

Inadequate personnel policies and practices can inhibit the healthy growth and development of the Government's technical activities. Morale will suffer if Government salaries cannot be made more competitive with industrial research salaries. Congress and the Civil Service Commission have recently made some welcome salary improvements, but more needs to be done. Attempts should be continued, for example, to make Government salaries more flexible at the beginning levels. Recognizing, however, that it may never be possible, or desirable, to equalize Government and industrial salaries completely, it is imperative that Government departments pay closer attention to cultivating significant research programs and formulating attractive policies that will appeal to imaginative and creative people. For example, scientists and engineers should be given frequent opportunities by their agencies to attend, expenses paid, national and inter-national meetings in their field.

It has been demonstrated many times -- notably in universities -- that a unique challenge and a proper atmosphere can make up for some of the monetary inequalities.

Another basic requirement for making Government research attractive is to provide openings for scientists and engineers at the highest rungs of the administrative ladder. There are still departments where it is not possible for a technically-trained civilian to assume full responsibility for the management of a laboratory. If an individual is denied the opportunity to assume major responsibilities or continue his professional growth, there will be a further reduction in the attractiveness of technical careers for civil service personnel.

Government laboratory operations sometimes suffer from improper financing. A pattern has been established in which a few laboratories receive only a part of their operating budget from the particular department, bureau or agency to which each reports. The balance is obtained through transfers. This practice not only hinders the director of the laboratory in planning a rational program but also introduces instability among programs and personnel. If fiscal arrangements of this kind were corrected, these laboratories could serve the national more efficiently. Departments could benefit in this regard by further emulating the general trend in industry which is moving away from piecemeal financing as it strives for more efficient utilization of technical manpower.

Finally, Government laboratories must be given the freedom by their departments to do the basic research necessary to support their clearly defined missions. They also need authority to negotiate contracts and make research grants necessary for a mutually profitable relationship with private scientific communities. Congress has recently extended the authority of Government agencies with operations in the research field to do both, and this action is most helpful.

Some of the administrative and operational problems in Government laboratories can be solved by actions of individual departments; others will require action by the proposed Council for Science and Technology, and still others may require legislation. However, the main value to be recognized is that in many technical and scientific areas Government laboratories have been, and still are, the source of leadership and excellence. This distinction can and should be preserved and the unique resources represented by Government laboratories should not be permitted to atrophy.

These few suggestions should be but a part of a continuing study as to ways the Government as a whole and its scientific agencies individually might discharge still more effectively their responsibilities in science and technology.

GOVERNMENT SPONSORED RESEARCH IN NON-GOVERNMENT INSTITUTIONS

This report is also concerned with ways by which greater emphasis can be placed on the quality of the nation's scientific research conducted outside of Government. Since 1940, there have been impressive accomplishments in the Government's management of research. During the war, the Office of Scientific Research and Development was universally recognized and achieved brilliant results. The Office of Naval Research also has provided an outstanding example of skilled and farsighted research management. New and vigorous programs in academic institutions have been sponsored by the National Science Foundation, the National Institutes of Health, the Atomic Energy Commission and the Department of Defense. These are but several examples out of a large number which indicate the high level of creativity which can be achieved by Government-sponsored research. Because of the scope, volume and importance of this sponsored research, Government policies and methods for administering support now need to be more critically appraised and more carefully shaped to sustain the highest standards of quality.

The great impact of Government spending on industrial, university and other private laboratories can hardly be exaggerated. In the aircraft industry, over 85% of all research and development is financed by the Government. In the electrical equipment industry, the Government share is over 60%; in telecommunications and broadcasting, over 40%; in scientific instruments, over 35%. The eight Government agencies that spend over 95 per cent of all Federal research and development funds estimate that the fraction of these funds spent outside of Government will rise from 59% at present to 66% in 1962. The Government has a serious responsibility to see that its research and development money does not divert private institutions, especially the universities, from their unique and characteristic functions and missions, or does not subtly distort these functions and missions, which, in their own right, are vital to American life and culture. The distribution of funds among certain scientific disciplines, the criteria used for selecting individual projects, and the kinds of controls and contractual arrangements imposed upon them can have a profound influence on the character of institutions that do research for the Government.

Among public and private research institutions receiving Government support, those making the broadest contributions to society are the universities, traditional home of basic research. To a lesser extent they also make notable contributions to applied research and they provide a unique atmosphere for research. The teacher-scientist of the university is responsible for handing on scientific skills and knowledge from one generation to the next, and for nurturing new scientists and new scientific ideas. Participation in research is an essential part of the education of scientists; and without vigorous university research the nation's capacity to educate future scientists would certainly be reduced and the quality of scientists trained seriously impaired.

In the past dozen years, Government support has done much to increase the scientific and academic strength of American universities. Most of this valuable Government aid has taken the form of a small project grant or contract. Several Federal agencies have had success in developing their programs by means of project systems in a manner that leaves the work under the control and guidance of the scientist. While the project system should be continued and strengthened, we need additional methods in order to meet the full range of scientific opportunities ahead.[2] These new areas of opportunity frequently cross the borderlines of two or more sciences (e.g., biophysics, radiation chemistry, geophysics) all call for inter-departmental and inter-disciplinary laboratories to provide adequate research facilities. Research of this type cannot always be most effectively supported piecemeal by a multiplicity of small project grants or contracts.

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[2] The National Science Foundation recommended to other Federal agencies in its report on Government-university relationships: "Federal support of research at colleges and universities includes various forms, ranging from the vary narrow to the very broad. Continuing attention should be given to the operation of the current froms of support and modifications and alternatives adopted which would improve the environment for basic research and at the same time not be subject to abuse. All of the forms, both narrow and broad, appear to have their place in the general pattern of Federal support. Agencies should use those forms most appropriate to meet particular needs at particular times."

One of many examples of the difficulties in the project approach is provided by the experience of an important university laboratory doing research in the earth sciences. A study of this laboratory has revealed that its troubles stem almost wholly from the fragmentation imposed on the laboratory by the multiple sources of support, from the short-term nature of contracts, and by the time-consuming reporting required by the multiplicity of contracts. Since individual contracts are not broad enough to cover all new scientific developments, areas of research which might lead to important new discoveries frequently are not developed. The numerous termination dates in short term contracts defy any real planning, whereas late renewals cause serious disruptions in the work. In hiring personnel, furthermore, it is often necessary to pay a single salary from four or five contracts. This, in turn, requires troublesome decisions on how to divide salaries among several contracts all expiring on different dates. These decisions are difficult and time-consuming, and they create serious problems as each contract expires. Currently, this laboratory which employs less than two hundred people has over forty contracts and its scientists spend large portions of their time away from research engaged in renewing contracts or writing separate reports at different intervals on each one. While we have made a special study of the difficulties of this one laboratory, we are well aware of others where similar conditions prevail.

Unfortunately, there is a tendency to believe that in providing a contract or grant for a single specific project the chance of finding a solution to a problem is being maximized and is also more economical. In reality, however, the overall research effort may be hurt. Program grants or institutional grants would permit more effective research in broad areas of science and provide greater freedom for the scientific community to give direction to the work undertaken. They might also prove to be an important administrative device for reducing the potential growth of Government administration if, otherwise, a greatly increased number of selecting and reviewing boards were necessary.

Progress can also be made by extending contract commitments beyond the usual one year. Where appropriate, the time should extend up to three years so as to permit sensible planning and a more efficient expenditure of funds.

Industrial research and development supported by the Government has also been handicapped at times by requirements which call too rigidly for specific answers to specific problems. Development programs should be flexible enough so that a promising new idea can be thoroughly explored even if it cannot be incorporated in the specific system under design. Too often, new ideas are shelved without enough work being done on them to discover if they may be useful when the next system is scheduled for development. Government contractors should be given the freedom to select and nurture new ideas.

In short, we urge that those who do research and development for the Government be allowed the flexibility which will give their competence and judgment the freest possible opportunity to serve the Government.

CAPITAL FOR SCIENCE

In the immediate post-war years, 1945-48, the Government and private groups invested heavily in new machines, instruments, and facilities for doing research. The new equipment included big nuclear accelerators, wind tunnels, and even converting naval ships for use as oceanographic research vessels. But after this initial investment, new capital funds rapidly diminished to such a degree that a lack of instruments and facilities is beginning to handicap our national scientific effort in both Government and private laboratories.

Serious under-investment is handicapping programs in many fields: Meteorology and climatology, inorganic chemistry, high-temperature research, oceanography, radio astronomy, continental geology, and many of the newer aspects of the life sciences such as microbiology, genetics, the study of growth and the neurological foundations of behavior. In these areas, chosen at random, and in many more, laboratory facilities and instrumentation are required on a wider scale. These are fields in which universities should be doing--and would like to be doing--more research, but financing many of the required facilities is beyond their capacities to provide.

Government operations increasingly have brought growing demands for the fruits of research and more support for actual work performed. There has been no comparable provision, however, for new instruments and facilities except in certain specialized fields. Over the years the Government has properly compensated industry for the full cost -- including capital cost -- of scientific work performed under contract, but it has not always done so for universities. As a result, universities have had to siphon funds from elsewhere in their own budgets to support Federal research. This has frequently meant that departments of humanities -- philosophy, history, literature -- have have had to suffer in order that science departments could do research for the Government. Universities, furthermore, have frequently been unable to provide for the economic renewal of capital equipment for science as instruments and facilities wore out or became obsolete. This is a lamentable state of affairs, which the Government is now striving to correct by permitting, uniformly among all Government agencies, full reimbursement to universities for their indirect costs.

The capital deficiencies in science also are being further aggravated by the rapid progress occurring in the improvement and inventions of the instruments of science themselves. Radio telescopes, animal colonies, electron microscopes, instrumented satellites, electronic computers, and accelerators for high energy physics are required to open up new areas of knowledge. Since the whole technological base of science is changing rapidly, the advancement of our national scientific leadership will depend upon our being able to provide the tools of science equal to the tasks ahead.

Thoughtful planning should be given to the capital needs of science by both private and public sponsors of research if the nation is to have the facilities it needs. It also has become necessary to find sources of enlarged support for the construction and operation of research facilities at colleges and universities. When the Federal Government provides support for capital needs it should be given only when the need is urgent, when it is clearly in the national interest and when necessary funds are not available and cannot be stimulated from non-Federal sources.

SUPPORT OF RESEARCH BY STATE AND MUNICIPAL GOVERNMENTS

Although this report is concerned primarily with the role of the Federal Government, state and municipal governments have important and similar contributions to make in advancing the total national scientific program. Many institutions of higher learning derive their major support from local governments; others receive supplementary funds from states and municipalities. These governments can contribute greatly to the advancement of local public institutions by supporting research programs and facilities and by providing other means that will enable the institutions they sponsor to do high quality research. At a time when it is necessary to bring up our total scientific and technological programs to peak capacity and peak performance, state and municipal governments have a real opportunity and a growing responsibility to make their own unique and vital contributions.

PRIVATE SUPPORT OF RESEARCH

As the Federal Government has increased its support of science in the last dozen years, there has been a hesitancy on the part of corporations and private foundations to maintain the level of their contributions to scientific research in academic and other non-profit institutions. It would be most unfortunate if this hesitancy were to continue or spread; for there are important opportunities for private philanthropy to contribute immeasurably to the strength and freedom of American science.

Corporations have become important contributors to the support of scientific research in academic institutions. By providing funds both for fellowships and for general support, they have greatly enhanced the independence and strength of private institutions. Many universities are able to select imaginative programs and support exceptional researchers by using uncommitteed funds obtained from corporations. It is to be hoped that this support will not only continue but increase; for high quality research is one of the prime ingredients in the training of high quality manpower. If corporations support significant research, they will benefit directly from better trained manpower, and they will benefit ultimately from the store of knowledge they have helped to advance.

There is also a vital and unique role for private foundations to play in supporting imaginative and audacious research that industry or Government may not always support. Relatively modest sums, wisely expended, can still underwrite and stimulate creative scientific work of the first order. Private foundations can also stimulate the growth of more first-rate scientific institutions, and cultivate in them the intellectual climate indispensable to high scholarship.

Today opportunities within the scope of private support are greater than ever. But, as always, they require careful selection and a willingness to gamble in untrodden areas. For example, many informed scientists and engineers believe that information theory (which tells the electrical engineers how to measure the information content of messages and the capacity of channels for transmitting them) can be usefully applied to the study of the human nervous system, to linguistics, to psychotherapy, and to other fields. How fruitful such application may be remains to be thoroughly explored. But for relatively little money, well within the means of private foundations, a significant exploration could be made.

To provide careers for scholars in the new specialities that are evolving, long-range financial commitments are required which are well-suited to private sponsorship. These commitments do not have to compare in size with grants flowing from Government, but they should provide fellowships and academic chairs of significant value that will attract able people from traditional fields into newer ones.

Another important role for private giving lies in continuing the support of those graduate schools that have set the standards of excellence in our nation, and at the same time, in increasing the number of such high quality graduate schools. The U. S. badly needs more graduate schools which are first-rate in science and engineering.

Support also will be needed by undergraduate colleges if they are to maintain in the face of rising enrollments and teacher shortages, the quality of their curricula and teachers and a rising level of performance of their students.

Private foundations are uniquely qualified to support individual institutions. If Government were to make the same attempt, it would be subjected to pressure from all parts of the country to repeat the process at least forty-nine times. Rather than being disheartened by the growth of Government support of science, private philanthropists should be able to find fresh opportunities for making unique contributions to the country's scientific and academic strength.

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Elsewhere in this report the importance of improved selection of programs for Federal and private support has been emphasized, and, in addition, several areas of work needing enhanced attention have been discussed. The need, however, goes beyond either of these ways of adding to our scientific power. Somehow diverse proposals of extraordinary novelty and import must be generated which will reach beyond, accordingly, any degree of careful selection among proposals or identification of some broad area of attention such as oceanography or meteorology. Perhaps new programs can be established within the National Science Foundation which are primarily concerned with novelty and diversity. Inevitably, the principal selecting agencies in Government are bound to be influenced to some degree by advisers who are moved by intellectual styles of the time, including such things as scholarly "success" of work already done in the field. The climate and the means should be created whereby ideas which are challenging and sound but unconventional and different can be hospitably considered and encouraged.

If such new methods were instituted among Government sponsors of research, they could advantageously be coordinated with the scientific programs of private foundations. As we have already observed, many of these foundations traditionally sponsor highly original and often initially unfashionable work. They can accept the long bets. Unfortunately, the magnitude of support available from all the private foundations may well be inadequate to assure meeting current national requirements in which certain levels of scientific progress are no longer luxuries but necessities for national survival. Since science cannot be ordered up on demand, nor will it respond to appropriations alone, a means for collecting and reviewing the total scientific fortune of the nation, must now be established.

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As America approaches the decade of the 1960's, it can take reasonable satisfaction in its past scientific and technological accomplishments. Thoughtful men now see another role for science and technology -- a new and creative role that is still only dimly grasped. Science is the one common language understood the world over. It is dedicated to the discovery of truth and to scrutinizing every new finding and hypothesis without fear or prejudice. In science new beliefs and principles win out over earlier ones because they have behind them the irresistible force of logic and consistency. By exchanging scientific viewpoints and working on common scientific problems -- as exemplified so admirably in the International Geophysical Year and the two international Conferences on the Peaceful Uses of Atomic Energy -- men of all nations may be drawn closer together. The endless frontiers of science, now stretching to the stars, can provide rich opportunities for men to seek a common understanding of the natural forces which all men must obey and which govern the world in which all men must live together.

RECOMMENDATIONS

The recommendations which follow are submitted in the belief that their adoption and implementation by all concerned would constitute a significant step in further strengthening our total national program in science and technology. We do not believe that these recommendations by themselves are more than a beginning. Indeed, as we have said, we believe that the job of strengthening U. S. science is so broad that Government, industry, universities, foundations and individuals all have a challenging and rewarding role to play. The future growth of American science will depend upon increased participation and contributions by all these components if we are to be equal to the full range of opportunities that lie ahead.

Government Planning and Management

An interagency council should be established by the President to promote coordinated policy planning and more effective management of Federal programs in science and technology.

a. It should be the functions of the council to:

(i) Consider the impact of Government research and development policies and programs on non-Governmental programs and institutions for the purpose of furthering in every proper way the general advancement of American science and technology.

(ii) Consider problems and developments in the fields of science and technology affecting more than one department or agency and recommend policies and other measures to promote more effective planning and administration of Federal scientific and technological programs. To aid in developing such policies the Council should:

(a) Prepare a projection of the program costs needed to meet the scientific and technological needs of the Federal Government including capital requirements and manpower.

(b) Consider the level and type of research financed by the private sector of the economy, consulting as appropriate the National Academy of Sciences, the Engineers Joint Council and the Social Science Research Council in order to ensure, as far as possible, that public and private efforts are complementary.

(iii) Strengthen Government programs in science and technology, by promoting effective utilization of Government resources, and by promoting full cooperation among Government agencies in the development of programs and plans to meet future scientific and technological needs.

(iv) Consider and recommend measures for the implementation of policy decisions affecting the administration and conduct of Federal programs in science and technology.

b. The council should be known as the Federal Council for Science and Technology.

c. The chairman of the council should be the Special Assistant to the President for Science and Technology.

d. The Special Assistant to the President for Science and Technology should see that matters of Presidential concern raised by the council are placed before the President.

e. Membership on the council should be accorded each department or agency with substantial responsibilities in science and technology. Secretaries of the departments should designate as representatives to the council policy level officials who are able to represent their department as a whole. Independent scientific agencies should be represented by their agency heads.

(i) A suggested initial membership is as follows:

National Science Foundation	-	Director
Atomic Energy Commission	-	Commissioner
National Aeronautics and Space Administration	-	Administrator
Department of Defense	-	Director of Defense Research and Engineering
Department of Health, Education and Welfare	)	The policy official designated by the secretary to represent the department in matters of science and technology.
Department of Interior	)	
Department of Commerce	)	
Department of Agriculture	)	

(ii) Other departments and agencies with smaller research and development budgets should be represented when matters of concern to them are discussed. It is also recommended that a representative of the Bureau of the Budget and the Science Adviser to the Secretary of State attend meetings of the council as observers.

(iii) Provision should be made to meet the council's secretariat and other requirements. It is recommended that such support be furnished by the office of the chairman who would rely on departments and agencies to provide assistance as needed by the council.

f. Implementation should be as follows:

(i) Upon the approval of the above recommendations, an executive order will be required to establish the council and to designate the chairman, members, and functions. The directive should indicate the continuance of responsibility by the National Science Foundation in developing policies for the promotion and support of basic research and education in the sciences as set forth in its statute and in Executive Order 10521. Provisions of Executive Orders 10521, and 9912 which established the Interdepartmental Committee on Scientific Research and Development, should be reviewed to ensure that they are consonant with the responsibilities of the council.

(ii) The secretary of each department having substantial responsibilities in science and technology should designate as a representative to the council a policy level official who is able to represent the department as a whole. Other independent agencies should be represented by their agency heads as suggested above.

Strengthening Government Laboratories

1. Within each department with substantial responsibilities in science and technology, the Secretary should designate a representative to assist in providing unity and understanding at the policy level of the department's scientific and technical activities, and to represent the department on the Council for Science and Technology.

2. Each department with substantial responsibilities in science and technology should review its scientific and technological programs in terms of the over-all missions and responsibilities of the department.

3. Based on this understanding, each separate technical or scientific activity within the department should have its own mission reviewed and crystallized in order to provide direction and coherence to the individual programs of the various laboratories and technical bureaus. As part of this review, determination should be made as to which programs should be continued, strengthened or revised, and which should be transferred or terminated.

4. Each department with substantial responsibilities in science and technology should make a thorough review of the administrative procedures that affect its scientific and technological activities to determine:

a. Whether there are harmful administrative procedures self-generated within the department.

b. Whether there are civil service regulations or other executive orders or legislation which are harmful to engineering and scientific activities.

c. To eliminate any self-imposed regulations that interfere with the proper functioning of research and development activities.

5. Each department with substantial responsibilities in science and technology should assume responsibility ensuring sufficient budgetary support of its technical bureaus and laboratories in order to permit the planning of a coherent program in the scientific and technological areas defined in the mission of the laboratory or bureau concerned.

6. The missions of the contract-operated laboratories of a department sh should undergo periodic review to determine whether their initial purposes have been discharged or require modification.

7. In support of their missions, scientific and technical bureaus and laboratories should be given authority by their parent departments to negotiate research contracts and make grants to private research and engineering institutions. Such grants or contracts should encourage the exchange of scientific and technical personnel between governmental and private research activities.

8. The scientific and technical bureaus and laboratories of a department should be encouraged to engage in basic research related to their mission.

Government-Sponsored Research in Non-government Institutions

1. In the extramural support of research, whether it is conducted by industry, by non-profit institutes, or by universities, Government contracting agencies should assume the broad policy and planning responsibility but should permit the detailed program to be determined by those performing the work.

2. With increased federal funds flowing to research activities outside of Government, it is important to continue and strengthen the project system, but other instrumentalities should be used to supplement the project system.

a. More consideration should be given to program grants as an important administrative device to reduce the potential growth of Government administration and provide greater freedom for the scientific community to give direction to the work undertaken.

b. Institutional grants for specialized fields is another instrumentality that should be encouraged.

3. Multiple support from several Government agencies for a single program in a given institution should be consolidated to the degree that the director of the program or the laboratory can have greater flexibility in providing more significant programs. For example, some laboratories operate under a single Government contract whereby funds are transferred from a number of agencies to a single contracting agency. This procedure should be encouraged.

4. The length of research contracts or grants should in general be three years, to provide stability and continuity in research programs.

5. Before establishing special research laboratories or institutes, consideration should be given to their potential effect on institutions of higher education, and studies should be undertaken as to how their activities will related to those of academic institutions.

5. The policy activities of the National Science Foundation in the general area of Government-university relationships in the conduct of Government-sponsored research should be continued and strengthened.

Capital for Science

1. In its support of science and technology, the Government should recognize that adequate capital support is a necessary part of research and make provision for meeting the capital needs of the programs it supports.

2. The Federal Council for Science and Technology should prepare a projection of the capital requirements planned by Federal agencies to meet their scientific and technological needs and provide a set of priorities.

3. In making grants and contracts, Government agencies should provide, as an element of cost, for new instruments and facilities as well as continuous modernization of older equipment used by universities and non-profit institutions.

4. Those Government departments and agencies concerned should uniformly modify their grant and contract provisions to permit universities and non-profit research institutions to charge the full cost of research performed for the Government -- including overhead -- and to amortize capital expenditures as an allowable cost.

Private Support of Research; Suggestions to Foundations and Other Private Sources of Funds

1. Private sources of funds in industry, education and philanthropy should exercise leadership in undertaking the large and imaginative scientific risks so necessary for keeping American science in the forefront of the advancement of human knowledge.

2. Private sources of funds should exercise leadership in maintaining the quality of graduate institutions and in stimulating the creation of the new institutions and graduate schools of the highest scientific and engineering excellence.

3. Private sources of funds should exercise leadership in providing careers in new scientific fields and in cross-fertilizing the several areas of science.

CABINET PAPER—PRIVILEGED

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CP - 59-86/1

March 13, 1959

The White House

Washington

THE CABINET

Improving the Planning and Management of the Scientific and Technical Programs of the Federal Government -- Establishment of the Federal Council for Science and Technology

The attached approved paper is circulated for action by the Special Assistant to the President for Science and Technology, by the Departments and Agencies named as Members of the Council, and by others likely to participate in the Council's activities.

This paper was approved, with certain understandings, by the President at the Cabinet meeting of December 5, 1958 (RA - 58-121, Item 2). The points specifying these understandings, mentioned in subparagraphs "a" through "e" of this action record, have been covered in the Executive Order signed today.

Attached as an integral part of this paper is the new Executive Order (10807) and also the White House release of today's date. These two parts of the paper are not privileged.

In implementing this paper and in beginning the work of the Federal Council, the Chairman and the participating agencies will be giving attention to the report of November 28, 1958, by the President's Science Advisory Committee entitled "Strengthening American Science". This report was summarized in a White House Press Release of December 28, 1958; in its full text it was attached as an annex to Cabinet Paper 58-86 of November 28, 1958, and published by the Government Printing Office, has recently been given wide government and non-government distribution.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

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CP - 59-86/1

March 13, 1959

The White House
Washington

THE CABINET

Improving the Planning and Management of the Scientific and Technical Programs of the Federal Government

The Problem: How can the Federal Government achieve more effective cooperation in planning and managing its programs in the fields of science and technology so as to improve the conduct of research and the use of science by the Government, itself, and to further the nation's over-all scientific effort ?

Discussion: It should be possible to increase the country's strength in science and technology not by asking for vast new sums of money, but by using available resources more wisely and economically, by discovering new opportunities for fruitful research, and by encouraging various government agencies and departments to work steadily to increase the quality of their planning and management efforts. The size and importance of the Government's research and development programs exert a powerful shaping influence on the nation's science and technology and impose new requirements on the Government for better planning and organization.

Government agencies that require research and development programs to perform their missions have large areas of common interest. Although a particular development project may be unique to the mission of a single Government agency, it will have its roots in one or more of the sciences. What research will uncover, no one can foresee, nor can anyone foresee how a development may benefit from an obscure finding in one corner of the great edifice of science. In broad areas of research, therefore, where Government agencies have a substantial common interest, there is an opportunity to benefit greatly from more systematic cooperation.

An instrument of Government is needed to devise ways and means for more effectively planning and managing the Government's programs in science and technology and in achieving their effective coordination. An organized means for bringing to the Special Assistant to the President for Science and Technology the advice and assistance of policy officials in the major research and development agencies would promote a better relating of their activities to each other and to research carried on outside of Government.

Such an instrumentality could serve as:

1. A means for considering the impact of Government research and development programs on non-Governmental programs and institutions for the purpose of furthering in every proper way the general advancement of American science and technology.

2. A channel of communication and a source of policy recommendations to the Special Assistant and to the President from the Federal agencies and departments actually charged with the responsibility for planning and operating programs in science and technology.

3. A means by which Government agencies could jointly consider proposed policies, plans, and programs and the impact of such proposals on their own programs or administrative policies and practices.

4. A means for achieving common implementation of policy decisions in the fields of science and technology by promoting cooperative action among the Government agencies concerned.

If an interagency council were established to perform these functions, it could be charged with planning, recommending, and--when decisions are made--implementing two kinds of policies. On the one hand, the council could recommend and advise on administrative or management policies; on the other hand, it could recommend and advise on program policies.

Samples of problems relating to administrative or management policies which the council might consider are:

1. Ways of improving policies that govern agencies and departments in their Government-university relations in science and technology.

2. Ways by which Government agencies and departments in planning research and development programs can relate capital requirements and available manpower to their scientific and technological needs.

3. The extent to which the Government should support the establishment of additional scientific research institutes.

Examples of problems relating to program plans which the council might consider are:

1. Support of new fields of research which are related to the missions of more than one agency; for example, meteorology and oceanography.

2. Support of large scientific instruments and facilities needed in the scientific and technological programs of more than one agency; for example, research and development in the field of high temperature materials.

In developing policies in these problem areas an interagency council could be of assistance to several Government agencies whose activities are not presently well planned or coordinated. Although there have been other attempts in the past to relate such activities of various Government agencies to each other and to research carried on outside of Government, these attempts had limited objectives. Each agency or department has tended to formulate its own policies and programs in science and technology with insufficient reference to those of others. Without in any way encroaching upon the freedom and authority of any one department or agency to fulfill its mission, there is still an opportunity, especially in basic and applied research, to plan ahead and to pull together the policies and recommendations developed in different agencies of the Government with a view to integrating and reconciling them as a whole. All agencies could benefit greatly from the opportunity to cooperate more effectively in formulating thoughtful policies for planning and managing their scientific and technological programs.

Conclusion: After studying this complex problem the President's Science Advisory Committee recommends the creation of a new group composed of policy-making representatives drawn from those Government agencies which spend substantial sums for science and technology. This new group would have broad responsibilities for advising the Special Assistant to the President for Science and Technology as to policies which would facilitate the resolution of common problems and would help promote interagency cooperation in developing plans and programs designed to strengthen the national effort in science and technology. (See Annex, pages 5 to 9 for fuller discussion of this conclusion and the recommendation which follows.)

Recommendations: An interagency council should be established by the President to promote coordinated policy planning and more effective management of Federal programs in science and technology.

a. It should be the functions of the council to:

(i) Consider the impact of Government research and development policies and programs on non-Governmental programs and institutions for the purpose of furthering in every proper way the general advancement of American science and technology.

(ii) Consider problems and developments in the fields of science and technology affecting more than one department or agency and recommend policies and other measures to promote more effective planning and administration of Federal programs in these fields.

(iii) Strengthen Government programs in science and technology, by promoting effective utilization of Government resources, and by promoting full cooperation among Government agencies in the development of programs and plans to meet future scientific and technological needs.

(iv) Consider and recommend measures for the implementation of policy decisions affecting the administration and conduct of Federal programs in science and technology.

b. The council should be known as the Federal Council for Science and Technology.

c. The chairman of the council should be the Special Assistant to the President for Science and Technology.

d. The Special Assistant to the President for Science and Technology should see that matters of Presidential concern raised by the council are placed before the President.

e. Membership on the council should be accorded each department or agency with substantial responsibility in science and technology. Secretaries of the departments should designate as representatives to the council policy level officials who are able to represent their departments as a whole. Independent scientific agencies should be represented by their agency heads.

(i) A suggested initial membership is as follows:

National Science Foundation	Director
Atomic Energy Commission	Commissioner
National Aeronautics and Space Administration	Administrator
Department of Defense	Director of Defense Research and Engineering
Department of Health, Education and Welfare	The policy official designated by the secretary to represent the department in matters of science and technology.
Department of Interior	
Department of Commerce	
Department of Agriculture	

(ii) Other departments and agencies with smaller research and development budgets should be represented when matters of concern to them are discussed. It is also recommended that a representative of the Bureau of the Budget and the Science Adviser to the Secretary of State attend meetings of the council as observers.

(iii) Provision should be made to meet the council's secretariat and other requirements. It is recommended that such support be furnished by the office of the chairman who would rely on departments and agencies to provide assistance as needed by the council.

f. Implementation should be as follows:

(i) Upon the approval of the above recommendations, an executive order will be required to establish the council and to designate the chairman, members, and functions. The directive should indicate the continuance of responsibility by the National Science Foundation in developing policies for the promotion and support of basic research and education in the sciences as set forth in its statute and in Executive Order 10521. Provisions of Executive Orders 10521, and 9912 which established the Interdepartmental Committee on Scientific Research and Development, should be reviewed to ensure that they are consonant with the responsibilities of the council.

(ii) The secretary of each department having substantial responsibilities in science and technology should designate as a representative to the council a policy level official who is able to represent the department as a whole. Other independent agencies should be represented by their agency heads as suggested above.

IMMEDIATE RELEASE   March 13, 1959

James C. Hagerty, Press Secretary to the President

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THE WHITE HOUSE

The President today signed an Executive Order establishing the new Federal Council for Science and Technology. The Council will promote closer cooperation among Federal agencies in planning their research and development programs, and will recommend ways in which the Federal Government can assist in advancing and strengthening the nation's scientific effort as a whole.

In establishing the Council, the President said:

> "Less than twenty years ago, Federal support of science was about 100 million dollars annually. Today, this annual investment in research and development has grown to over five billion dollars, and a large fraction of these Federal funds is spent in laboratories owned and operated by private groups. It is the responsibility of the Federal Government to encourage in every appropriate way the scientific activities of non-government institutions; but it is apparent from the size of these Federal expenditures that the policies and practices of the Federal Government can exert an immediate and substantial effect on the nation's private scientific institutions as well as on Government laboratories.
>
> "I believe that the new Federal Council for Science and Technology can effectively aid the objective of improving the ways in which the Federal Government uses and supports science. Moreover, the report of my Science Advisory Committee on "Strengthening American Science" also pointed to a number of opportunities for advancing our total national program. I expect the new Council to consider and evaluate these opportunities and to encourage all Government agencies further to increase the quality of their efforts in these fields. By fostering greater cooperation among Federal agencies in planning their research and development programs, by facilitating the resolution of common problems, and by reviewing the impact of government policies on the programs of non-governmental institutions, the Council should be able to contribute greatly to the development and advancement of our national programs in these important and critical areas."

The President has asked Dr. James R. Killian, Jr., his Special Assistant for Science and Technology, to serve as Chairman of the Council. Its membership will include representatives of the Departments and agencies of the Government which play a major part in this field. This includes Defense, Interior, Agriculture, Commerce, Health, Education, and Welfare and the Director of the National Science Foundation, the Administrator of the National Aeronautics and Space Administration and the Chairman or another member of the Atomic Energy Commission. The Chairman may invite other persons to attend meetings when appropriate and representatives of the Secretary of State and the Director of the Bureau of the Budget will attend as observers. Attention has been called to the

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fact that the task of further strengthening United States science is so broad that Government, industry, universities, foundations, and individuals all have essential roles to play. For the future growth and strength of American science will depend upon the efforts of all of these parts of our national community if we are to rise to the demands of our times.

To assure the Council the benefit of continuing advice from the career scientists in the Federal service, the order provides for a standing committee of the Council composed of scientist-administrators principally responsible for the direction of research and development programs in Federal agencies. Such a committee may include representatives from other agencies having important scientific and technical activities and not named as members of the Council. The standing committee will undertake studies for, and make reports to the Council, and will be called upon to provide a continuing source of recommendations to the Council. In this way an organized means will be established for bringing to the President the advice and recommendations of both the policy officials and the career scientists in the major research and development agencies. Executive Order 9912 which established the Interdepartmental Committee on Scientific Research and Development is revoked by the new Executive Order.

The President has also directed Federal agencies to cooperate with and assist the National Science Foundation in its role of providing leadership for improving the availability and dissemination of scientific information.

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EXECUTIVE ORDER

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FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY

WHEREAS science and technology are essential resources for the security and welfare of the United States; and

WHEREAS Federal programs in science and technology will advance our security, health, and economic welfare and the quality of education in the United States; and

WHEREAS closer cooperation among Federal agencies will facilitate the resolution of common problems in science and technology, promote a greater measure of coordination, and otherwise improve the planning and management of Federal programs in these fields:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered as follows:

Section 1. Establishment of Council. (a) There is hereby established the Federal Council for Science and Technology (hereinafter referred to as the Council).

(b) The Council shall be composed of the following-designated members: (1) the Special Assistant to the President for Science and Technology, (2) one representative of each of the following-named departments, who shall be designated by the Secretary of the Department concerned and shall be an official of the Department of policy rank: the Departments of Defense, the Interior, Agriculture, Commerce, and Health, Education, and Welfare, (3) the Director of the National Science Foundation, (4) the Administrator of the National Aeronautics and Space Administration, and (5) a representative of the Atomic Energy Commission, who shall be the Chairman of the Commission or another member of the Commission designated by the Chairman. A representative of the Secretary of State designated by the Secretary and a representative of the Director of the Bureau of the Budget designated by the Director may attend meetings of the Council as observers.

(c) The Chairman of the Council (hereinafter referred to as the Chairman) shall be designated by the President from time to time from among the members thereof. The Chairman may make provision for another member of the Council, with the consent of such member, to act temporarily as Chairman.

(d) The Chairman (1) may request the head of any Federal agency not named in section 2(b) of this order to designate a representative to participate in meetings or parts of meetings of the Council concerned with matters of substantial interest to the agency, and (2) may invite other persons to attend meetings of the Council.

(e) The Council shall meet at the call of the Chairman.

Section 2. Functions of Council. (a) The Council shall consider problems and developments in the fields of science and technology and related activities affecting more than one Federal agency or concerning the over-all advancement of the Nation's science and technology, and shall recommend policies and other measures (1) to provide more effective planning and administration of Federal scientific and technological programs, (2) to identify research needs including areas of research requiring additional emphasis, (3) to achieve more effective utilization of

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the scientific and technological resources and facilities of Federal agencies, including the elimination of unnecessary duplication, and (4) to further international cooperation in science and technology. In developing such policies and measures the Council, after consulting, when considered appropriate by the Chairman, the National Academy of Sciences, the President's Science Advisory Committee, and other organizations, shall consider (i) the effects of Federal research and development policies and programs on non-Federal programs and institutions, (ii) long-range program plans designed to meet the scientific and technological needs of the Federal Government, including manpower and capital requirements, and (iii) the effects of non-Federal programs in science and technology upon Federal research and development policies and programs.

(b) The Council shall consider and recommend measures for the effective implementation of Federal policies concerning the administration and conduct of Federal programs in science and technology.

(c) The Council shall perform such other related duties as shall be assigned, consonant with law, by the President or by the Chairman.

(d) The Chairman shall, from time to time, submit to the President such of the Council's recommendations or reports as require the attention of the President by reason of their importance or character.

Section 3. *Agency assistance to Council.* (a) For the purpose of effectuating this order, each Federal agency represented on the Council shall furnish necessary assistance to the Council in consonance with section 214 of the act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691). Such assistance may include (1) detailing employees to the Council to perform such functions, consistent with the purposes of this order, as the Chairman may assign to them, and (2) undertaking, upon request of the Chairman, such special studies for the Council as come within the functions herein assigned to the Council.

(b) Upon request of the Chairman, the heads of Federal agencies shall, so far as practicable, provide the Council with information and reports relating to the scientific and technological activities of the respective agencies.

Section 4. *Standing committees and panels.* For the purpose of conducting studies and making reports as directed by the Chairman, standing committees and panels of the Council may be established in consonance with the provisions of section 214 of the act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691). At least one such standing committee shall be composed of scientist-administrators representing Federal agencies, shall provide a forum for consideration of common administrative policies and procedures relating to Federal research and development activities and for formulation of recommendations thereon, and shall perform such other related functions as may be assigned to it by the Chairman of the Council.

Section 5. *Security procedures.* The Chairman shall establish procedures to insure the security of classified information used by or in the custody of the Council or employees under its jurisdiction.

Section 6. *Other orders; construction of orders.* (a) Executive Order No. 9912 of December 24, 1947, entitled "Establishing the Interdepartmental Committee on Scientific Research and Development," is hereby revoked.

(b) Executive Order No. 10521 of March 17, 1954, entitled "Administration of Scientific Research by Agencies of the Federal Government," is hereby amended:

more

(1) By substituting for section 1 thereof the following:

"Section 1. The National Science Foundation (hereinafter referred to as the Foundation) shall from time to time recommend to the President policies for the promotion and support of basic research and education in the sciences, including policies with respect to furnishing guidance toward defining the responsibilities of the Federal Government in the conduct and support of basic scientific research."

(2) By inserting before the words "scientific research programs and activities" in section 3 thereof the word "basic".

(3) (i) By adding the word "and" at the end of paragraph (a) of section 8 thereof, (ii) by deleting the semicolon and the word "and" at the end of paragraph (b) of section 8 and inserting in lieu thereof a period, and (iii) by revoking paragraph (c) of section 8.

(4) By adding at the end of the order a new section 10 reading as follows:

"Section 10. The National Science Foundation shall provide leadership in the effective coordination of the scientific information activities of the Federal Government with a view to improving the availability and dissemination of scientific information. Federal agencies shall cooperate with and assist the National Science Foundation in the performance of this function, to the extent permitted by law."

(c) The provisions of Executive Order No. 10521, as hereby amended, shall not limit the functions of the Council under this order. The provisions of this order shall not limit the functions of any Federal agency or officer under Executive Order No. 10521, as hereby amended.

(d) The Council shall be advisory to the President and to the heads of Federal agencies represented on the Council; accordingly, this order shall not be construed as subjecting any agency, officer, or function to control by the Council.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

March 13, 1959.

# # # # # # #

CABINET PAPER—PRIVILEGED

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CA- 58-122

December 11, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, December 12, 1958

1.	Creation of the Office of Executive Management	(Oral)	The President The Acting Chairman, The President's Advisory Committee on Government Organization
2.	The Debt Management Problem	(Oral)	The Secretary of the Treasury
3.	Taxation of Cooperatives	(Letter of 7/26/55; RA - 58-109)	The Secretary of the Treasury
4.	The Legislative Program of the Department of Health, Education, and Welfare	(Oral)	The Secretary of Health, Education, and Welfare
5.	Airport Construction Aid and Airway User Charges	(Oral)	The Administrator, Federal Aviation Agency

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

December 12, 1958
9:00 a. m. -- 11:15 a. m.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Deputy Sec. Quarles
(for Sec. McElroy)
Atty Gen Rogers
PMG Summerfield
Sec. Benson
Sec. Strauss
Sec. Mitchell
Sec. Flemming

Director Stans
Gov. Hoegh

Under Sec. of Treasury
Julian Baird
Mr. Robert P. Mayo, Treasury
Gen. Quesada, FAA
Dr. Saulnier
Mr. Arthur Kimball, Adv. Comm.
on Govt. Organization

Gen. Persons
Gen. Goodpaster
Mr. Gordon Gray
Gen. Bragdon
Mr. Morgan
Mr. Kendall
Mr. Merriam
Mr. Harlow
Dr. Paarlberg
Maj. Eisenhower
Mrs. Wheaton
Gov. Pyle
Dr. Killian
Mr. Siciliano
Mr. McCabe
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Office of Executive Management - The President recalled the Hoover Commission recommendation for an Administrative Vice President which he thought was a good idea in theory but led to many difficulties in practice. However, the Administration had long been studying the means of improving its organization regarding management functions. He believed the need for this was quickly evident just in looking at the way in which the Bureau of the Budget had had to take on a great number of chores in addition to its original budgetary function. Consequently, he said, he had come to a conclusion with the help of his Advisory Committee on Government Organization that there was a definite need for something like this proposed Office of Executive Management.

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The President indicated that this proposal was still in the consultative stage and he asked the Cabinet members to consider it and send their comments to Messrs. Stans and Flemming. On some future date the President could take all necessary actions now authorized by law and send the remainder to Congress in order to obtain what other authorization would be needed. Dr. Flemming indicated that the Cabinet comments might be worked in with circulation of the Executive Order and the Reorganization Plan. The President thought this could best be done after the lapse of a short period, sometime after the first of the year.

The President also referred to the idea of having a First Secretary of the Government who would be active in the foreign field. This would be desirable, he thought, particularly since it would establish a top official who could deal with top officials of other governments in summit-type meetings, thus correcting the difficulty occasioned by the United States President who is both head of state and head of government. This individual would have the responsibility of supervising the work of agencies active in international affairs such as State, ICA, USIA, etc. This, of course, would require considerably more exploration with no idea of undertaking it as soon as the Office of Executive Management can be established.

Debt Management Problem - After an introduction by Sec. Anderson on the importance of sound fiscal policies at home because of the way in which other countries follow closely developments here, Mr. Mayo presented a series of charts showing the growth of the public debt, the per capita burden, the percentage of GNP, etc., at various periods in our history. He warned against any conclusion that economic growth eliminates problems of debt management, for there are many serious problems connected with turnover of the debt. Annual interest of $8 billion is a heavy burden, and of course the debt ceiling continues to cause administrative problems. He presented also other charts pertaining to the going rates of interest and the ownership of the national debt.

The President remarked on the surprisingly high price of stocks as related to earnings. Sec. Anderson commented on the psychological factors that have caused this.

Mr. Anderson then mentioned tax reform, stating that it is difficult always to choose a time for a broad tax reform and that he believed that it was not necessary to have a surplus in the bank but that it must be possible to see when a surplus is coming when deciding upon a broad tax reform. The Postmaster General referred to the work of the Mills Committee which would be sure to command much publicity, and Sec. Anderson again spoke of getting our house in order and foreseeing a surplus prior to tax revision action.

The Vice President called attention to Sen. Lyndon Johnson's proposal for a nonpartisan study of inflation, and he asked how this related to the

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Cabinet study. Sec. Mitchell said that his group should soon have a proposal to offer and that the group had been working along the lines suggested by Sen. Johnson. The Vice President, the Postmaster General, and others stressed the need for announcing the Administration's proposal at an early date and with considerable impact.

Sec. Benson asked about the apparent wariness of people as regards the soundness of Government securities. Mr. Anderson replied in terms of the high level of prices, foreign competition with American industry, and the basic distrust of a situation when the deficit increases in a time of great prosperity. Both he and Sec. Benson concurred in the need for the Administration to impress publicly the need for caution.

Answering the Vice President's question, Dr. Saulnier said the outlook for 1959 was fairly encouraging for maintaining a general stability in the economy, although some prices -- agricultural -- may go down, while others -- particularly industrial -- may go up as the result of a new wage-price push. Sec. Mitchell emphasized, without attempting to pre-judge the work of the Cabinet Committee, that something had to be done with regard to the wage-price push, that there was no simple answer, but that the first thing required seemed definitely to be a public awareness of the problem among all labor, management, and citizen groups. He felt sure that there would be a considerable rise in steel wages in 1959 setting the pattern for other industries. He did not believe that labor was convinced that wage increases are a cause of inflation or that higher wages cause the loss of foreign markets. Adm. Strauss noted the similar thinking among members of the Business Advisory Council and cited the reduction from 54% to 32% of the US share of world steel production.

The President desired this problem to be dramatized as much as possible and to be made an important part of the State of the Union Message. He went on to comment how large Federal spending is focused on negative things, which are sterile, whereas he would rather be doing constructive things at home and abroad. Much of the high price of defense items, he said, can be traced right back to the wage-price spiral.

Taxation of Cooperatives - Sec. Anderson reviewed the pressure on the Treasury from Congress for taking a position with regard to legislation for taxing the income of cooperatives. He stated that a plan was being worked up which would constitute something of a compromise of the various arguments advanced since the Supreme Court decision had frustrated the earlier law.

Sec. Benson set forth the arguments of leaders of the cooperative movement and hoped that the Administration would not take a rigid position on this subject. He appreciated the onus on Treasury for speaking to the question. Mr. Anderson pointed out that this proposal

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would help the small cooperatives since it would foster accumulations of capital over a 3-year period but would discourage the long tax-free accumulations of capital by large cooperatives that tend to drive other entrepreneurs out of business. Mr. Benson said that he would send a memorandum to the Secretary of the Treasury making clear the basis for the cooperatives' argument.

Airways User Charges - Gen. Quesada stated that there had been suggested for the Budget Message language on user charges which would in effect mean paying for new equipment and services on the Nation's airways on a current basis. Accordingly, new legislation would be sought increasing the tax on aviation gasoline and jet fuel and for allocating to the General Fund the present aviation gas tax which now goes into the Highway Trust Fund. He stated also that these tax increases would be almost the equivalent of current airlines earnings, hence it would be necessary to find means for permitting rate changes to obviate any requirement for reinstituting subsidies. The President remarked wryly on this impetus to the price spiral. Mr. Stans said that it was being held to a minimum but that the principle ought to be established. Dr. Flemming asked about the possibility of CAB action to permit rate increases and Gen. Quesada assured him everything possible was being done to encourage action.

There was brief discussion of present rates, coach service, status of subsidies, etc. Gen. Quesada commented that the dynamic nature of the industry is reasonably assured if it is given freedom to operate in a competitive environment.

Airport Construction Grants - Gen. Quesada recalled the President's veto of the 1958 legislation which would have provided aid in areas where it was not needed. Since the Administration was committed to a reasonable bill, one was being prepared which would focus on "gate to gate" safety including runways and airways operations, but not extending to passenger terminals and other non-operational buildings.

The Administration would desire to have full discretion in the allocation of funds to the States but would propose a 50% flexibility with the other 50% allocated by formula as probably the best outcome that could be had. He stated the Administration's feeling that it should gradually and eventually get out of the construction and grant business, hence the bill would propose a decreasing level of aid over the next four years.

The President commented on the difficulties of this whole subject where rates could be restricted by a regulatory agency, yet the airlines could claim subsidies from the Government should rates be inadequate to cover ever-increasing costs. Sec. Strauss suggested that a study might be made usefully of the possibility of unifying all the transportation regulatory bodies.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Gray
Mr. Minnich

~~CONFIDENTIAL~~

RA - 58-122

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December 24, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, December 12, 1958:

1. Creation of the Office of Executive Management /Chart/

ACTION:

Interested Members of the Cabinet were invited to submit their comments concerning the structure and functions of the future Office of Executive Management, as described in the oral presentation, the chart distributed at the table, and, specifically in the contemplated Executive Order and Reorganization Plan which will be drafted and circulated shortly.

2. The Debt Management Problem

/Information Item/

3. Taxation of Cooperatives

ACTION:

a) It was agreed that the Administration is committed to presenting its views on this subject to the House Ways and Means Committee.

b) It was agreed that the letter and/or testimony to the Committee from the Secretary of the Treasury, in addition to making certain recommendations, will include the Administration's willingness to consider other alternatives which would provide an effective solution to the problem.

c) The Secretary of Agriculture will furnish the Secretary of the Treasury with the comments and data he has gathered in order that these comments may be taken fully into consideration in the preparation of the letter and testimony.

4. Airway User Charges and Airport Construction Aid

ACTION:

a) In implementation of its basic "pay as you go" principle, it was agreed that the Administration will recommend a user charge of 4 1/2¢ per gallon on aviation gasoline and

CABINET PAPER

For Action

on jet fuel, the receipts therefrom to go into the general funds of the Treasury, in lieu of the present gasoline tax of 2¢ net which goes into the highway trust fund.

b) Whether the Administration would propose to increase this rate in the future will depend on appropriate analyses from time to time.

c) Emphasis was laid on the importance of general revisions in the organization of the Executive Branch for transportation (including the appropriate regulatory bodies) in order to provide the Chief Executive with more flexibility and responsiveness.

d) Mr. Quesada's proposals for Administration amendments to the Federal Airport Act were noted without objection, i.e.:

  i) Federal funds should be confined to safety and and navigational requirements, i.e., to the airway facilities needed after passengers get on the planes and before they got off.

  ii) At least 50% of the Federal funds to be distributed under this program should be on a discretionary basis.

  iii) The Federal Government should make an orderly withdrawal from all airport construction subsidies; accordingly, the Administration should recommend a program on a decreasing scale between 1960 and 1963.

Robert Gray
Secretary to the Cabinet

Approved by the President
December 24, 1958

Administratively Confidential

SELECTED NOTES FROM THE CABINET DISCUSSION OF DECEMBER 12, 1958

(Anderson):	Tax reform is something for the future -- something which we cannot propose or talk about until there is at least a prospect of a surplus.
(Vice President and others):	Senator Johnson has just proposed a special study of the long-term inflation problem. We have been actively studying this question, too, and definitely do not want the impression to get around to the public that the soon-to-be-reported results of our study were just a spur of the moment activity undertaken only following the opposition's stimulus.
(Anderson):	Rising costs in this country and the consequent rising prices of farm and factory goods are more than just a domestic problem, serious though that is. America, in effect, is pricing itself out of world markets; look at the effect this has on our hopes for a growing economy and for full employment for our increasing population.
(Benson):	We are in danger of doing the same thing in industrial pricing as we have already done in agricultural pricing, that is, pricing ourselves out of the world market.
(The President):	We should certainly press forward with this report which Secretary Mitchell is preparing. In fact, instead of just calling it the "wage-price spiral" we ought to get in, in its title, this point about being driven from world markets. Perhaps we should call it "The Causes of Continuingly Increasing Prices and Their Effect Upon the American Position in the World", or something like that. In fact, we have got to get this whole point across to the people generally in a dramatic fashion. I would like to make this whole subject an important and emphatic part of the State of the Union Message. This, and the section on Mutual Security, are the two great points I want to emphasize this year instead of trying to "cover the waterfront" as with some past State of the Union Messages. I want to put these economic concepts in simple terms --

terms which can be defended to the economic technicians as accurate -- but terms which are simple and can be understood by everybody, especially what this means in terms of jobs.

(Vice President): Of course, we must put this in the context of the growing economy that we want -- jobs in a growing economy.

(The President): Agreed. All this defense hardware on which we are spending so much money is just negative stuff adding nothing to the earning capability of the country, so to speak. All this defense equipment is like "silent policemen standing around our houses"; we need them, but think of the constructive domestic programs which could be undertaken with that same money. We must really go after this wage-price spiral; we have not attacked the real culprit until we have attacked this; this is why we must put real emphasis on this in the State of the Union Message.

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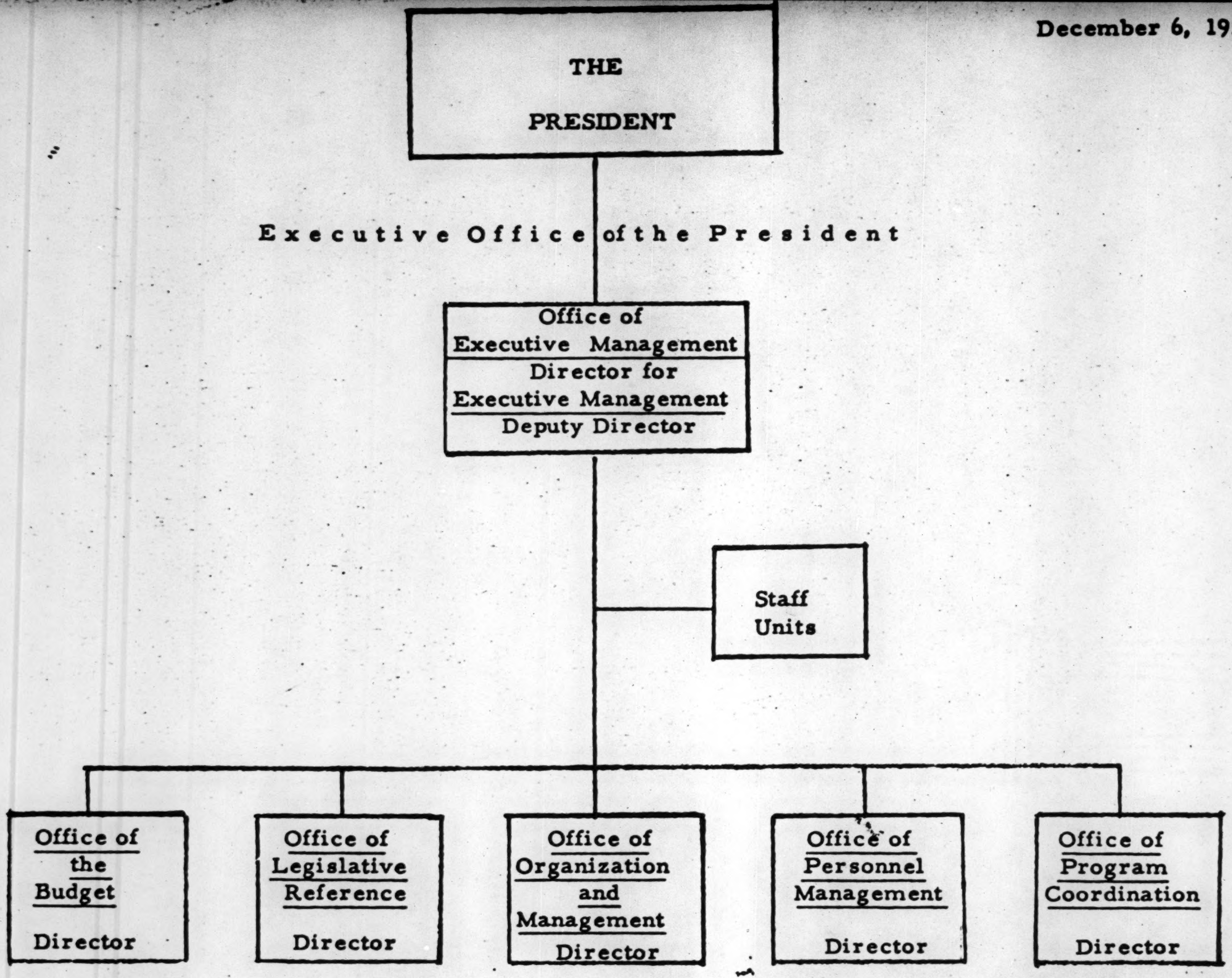
December 6, 1958


THE PRESIDENT
Executive Office of the President
Office of Executive Management
Director for Executive Management
Deputy Director
Staff Units
Office of the Budget
Director
Office of Legislative Reference
Director
Office of Organization and Management
Director
Office of Personnel Management
Director
Office of Program Coordination
Director

THE WHITE HOUSE
WASHINGTON

December 8, 1958

MEMORANDUM

SUBJECT: Cabinet Items Needing Consideration on Friday

The following items are ready and waiting for Cabinet consideration this coming Friday, December 12th;

1. Legislative Program of the Department of Health, Education, and Welfare — Secretary Flemming

One Department as yet unheard-from in Cabinet discussions of the legislative program is HEW. Secretary Flemming has asked for time on the agenda Friday to present his recommendations.

2. Taxation of Cooperatives — Secretary Anderson

This legislative item has not yet been resolved. The Cabinet has discussed it twice - most recently last June 27, but without any subsequent legislative follow-through.

Since the Administration will again be under pressure to state its position on this subject, Secretary Anderson is consulting with Secretary Benson prior to presenting the problem and the alternative courses of action at Cabinet on Friday.

3. Debt Management — Secretary Anderson

In recent months, the Treasury Department has faced major problems in the rates on its short-term issuances and in its attempts to re-finance the public debt on a longer term basis. What happens here has a considerable impact on the budget - both short-range and in the future.

4. **Long-Term Anti-Inflationary Measures With Respect to Costs** — Secretary Mitchell

At the Cabinet meeting of last August 1, Secretary Mitchell was asked to chair a special Cabinet group to look into the feasible alternatives which the President could consider recommending in this complicated and controversial field. Secretary Mitchell's group is meeting several times this week, and we are told there is a good chance that it will be ready for the Secretary to present its report to the Cabinet by Friday. Any recommendations on this subject will form a key part of the President's legislative program.

5. **Airport Construction Aid and Airway User Charges** — Mr. Quesada

Last September 2, the President vetoed an airport subsidy bill, saying "At the next session of the Congress, the Administration will recommend a transitional program to provide aid for the construction of urgent airport projects that are essential to an adequate national aviation facilities system".

General Quesada has been working with the Bureau of the Budget on a program which can be suggested next January and which will be consistent with the above Presidential criteria.

At the same time, Mr. Quesada will present for discussion proposals on airway user charges, which should be a parallel section of this part of the legislative program.

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

December 11, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, December 12, 1958

The following items are listed for Cabinet consideration on Friday:

1. Creation of the Office of Executive Management (The President and Dr. Flemming)

Last Saturday, following the recommendation of your Advisory Committee on Government Administration, you approved the proposal for the creation of this new office by Executive Order, Reorganization Plan and subsequent legislation.

A few words from you or Dr. Flemming will inform the Cabinet Members of your decision prior to presentation of the proposal to the Republican leaders on Monday and the subsequent public announcement.

2. The Debt Management Problem (Secretary Anderson)

In recent months the Treasury Department has faced major problems in the rates on its short-term issuances and in its attempts to refinance the public debt on a longer term basis. What happens here has a considerable impact on the budget -- both short-range and in the future.

3. Taxation of Cooperatives (Secretary Anderson)

Since the Administration will again be under pressure to state its position on this subject, Secretary Anderson has consulted with Secretary Benson and will present the alternative courses of action.

4. **The Legislative Program of the Department of Health, Education, and Welfare** (Secretary Flemming)

Secretary Flemming has asked for time on the agenda to present the HEW legislative recommendations concerning a proposed loan guaranty program for school construction.

5. **Airport Construction Aid and Airway User Charges** (Mr. Quesada)

Last September 2, you vetoed an airport subsidy bill, saying, "At the next session of the Congress, the Administration will recommend a transitional program to provide aid for the construction of urgent airport projects that are essential to an adequate national aviation facilities system."

Mr. Quesada has been working with the Bureau of the Budget on a program which can be suggested next January and which will be consistent with the above criteria.

At the same time, Mr. Quesada will present for discussion proposals on airway user charges, a parallel section of this part of the legislative program.

Robert Gray
Secretary to the Cabinet

CABINET CHECK-LIST

For: Executive Session — 12/16/58

		Special Assistant for Cabinet Coordination:	Appointment Secretary, or Other:
✓	THE PRESIDENT	NONE	
✓	THE VICE PRESIDENT	Mr. McWhorter	
	Substitute:		
✓	STATE (Mr. ~~Dulles~~ Herter)	Mr. Boster	
✓	TREASURY (Mr. Anderson)	Mr. Parsons	
✓	DEFENSE (Mr. ~~McElroy~~ Quarles)	Mr. Gale	
✓	JUSTICE (Mr. Rogers)	Mr. Cushman	
✓	POST OFFICE (Mr. Summerfield)	Mr. Moore	
✓	INTERIOR (Mr. Seaton)	Mr. Kennedy	
✓	COMMERCE (Mr. Strauss))	Mr. Becker	
✓	AGRICULTURE (Mr. Benson)	Mr. Shurtleff	
✓	LABOR (Mr. Mitchell)	Mr. Wallace	
✓	HEALTH, EDUCATION AND WELFARE (Dr. Flemming)	Mr. Kieffer	
✓	BUDGET (Mr. Stans)	Dr. Reid	
✓	OCDM (Governor Hoegh))	Mr. Reutzel	
O	USUN (Ambassador Lodge)		
✓	THE ASSISTANT TO THE PRESIDENT		
O	THE SECRETARY TO THE CABINET		
		Captain Morse, AEC	

(OVER)

WHITE HOUSE STAFF:

Mr. Anderson
General Bragdon
Mr. Gordon Gray
General Goodpaster
Mr. Hagerty
Mr. Harlow
Mr. Kendall
Mr. Kestnbaum
Dr. Killiam
Mr. McCabe
Mr. Merriam
Mr. Minnich
Mr. Moos
✓ Mr. Morgan
Mr. Paarlberg
Mr. Patterson
Mr. McPhee
Governor Pyle
Mr. Randall
Mr. Siciliano
Mrs. Wheaton
Major Eisenhower

OTHERS:

✓ ATOMIC ENERGY COMMISSION
(Mr. McCone)

0 COUNCIL OF ECONOMIC ADVISERS
(Mr. Saulnier)

✓ General Quesada
✓ Mr. Floete
✓ Dr. Glennan
✓ Mr. Cole
✓ Mr. Whittier
✓ Mr. Barnes

EXECUTIVE SESSION (if any)

~~2:06~~ to ________

Meeting Opened 2:06

Meeting Adjourned ________

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CA - 58-123

December 17, 1958

The White House
Washington

THE CABINET

Agenda

9:00 A.M., Friday, December 19, 1958

1.	Support of the President's Budget by Agency Witnesses at Congressional Appropriations Hearings	CP - 58-44/1	The Director, Bureau of the Budget
2.	Long-Term Anti-Inflationary Measures With Respect to Costs -- Report of the Special Cabinet Group	(RA - 58-113, Item 1(a)ii)	The Secretary of Labor

POST-CABINET BRIEFING:

The Department of Defense Budget and Program	(Oral)	The Acting Secretary of Defense The Deputy Assistant Secretary of Defense (Comptroller)

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By GHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

December 19, 1958
9:00 a. m. -- 11:10 a.m.

The following were present:

President Eisenhower

Vice President Nixon

Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Deputy Sec. Quarles
(for Sec. McElroy)
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Under Sec. Morse
(for Sec. Benson)
Sec. Strauss
Sec. Mitchell
Sec. Flemming

Director Stans
Gov. Hoegh, OCDM
Amb. Lodge

Under Sec. Commerce Mueller
Mr. Max Lehrer, Defense
Mrs. Wickens, Labor
Dr. Saulnier, CEA
Mr. McCone, AEC

Gen. Persons
Gen. Goodpaster
Maj. Eisenhower
Mr. Areeda
Mr. Siciliano
Mr. Merriam
Mr. Kendall
Mrs. Wheaton
Mr. Morgan
Dr. Paarlberg
Mr. Harlow
Mr. Moos
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

The President opened the meeting with a comment on the satellite project and tape recording of his message, just announced. He said that the news of this had occasioned cheering and individual congratulations on the part of the diplomats who were attending the formal dinner at the White House at the time of announcement.

Supporting the Budget (CP 58-44/1) - Mr. Stans recounted instances in the past year when Agency witnesses were either critical or failed to support the Administration budget. He recognized that some of these difficulties are occasioned by leading questions from the Committees but, as the Cabinet paper shows, Mr. Stans added, that quite apart from legislative

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Executive relationships, there are laws governing the disclosure of certain kinds of information, not to mention the principle of sound Executive budgeting. Mr. Stans urged that the matter be taken particularly seriously this year, that Agency heads review last year's record and alert those who will be testifying on budgetary matters.

Mr. Morse asked for a strong memorandum which would serve to strengthen the hands of Agency heads dealing with their subordinates. Mr. Stans indicated that Budget would send a "personal" memorandum, and the President directed that this was not to be circulated.

Anti-Inflationary Measures - Sec. Mitchell, reporting on the work of the informal Cabinet Committee studying this, stated that the specific recommendations had the broad purpose of creating public awareness of the problem, organizing a continuing study, and setting the Administration's own house in order. The Committee proposed specifically:

(1) Amend the 1946 Employment Act to include "reasonably stable level of prices", as a basic objective of government just like full employment and maintenance of purchasing power;

(2) A Presidential directive to all Federal Agencies whose programs affect prices calling for a re-examination of their programs and achievement of any necessary readjustments in the light of national policies (there should also be established a Committee on Government Prices and Purchases, composed of the Agencies mostly involved, for coordination purposes);

(3) Initiation of a project under Budget's Statistical Standards Branch, for getting improved statistics on productivity, prices, wages, etc. (both Labor and Commerce would need additional funds for FY 1960, beyond the increase already approved for Labor's Consumer Price Index);

(4) Labor reform legislation, aimed at corruption, abuse of power, and other practices that lead to higher prices;

(5) Establishment of a committee to be responsible for the continuing study of means of achieving stability.

Regarding the 5th recommendation, Sec. Mitchell spelled out the proposed responsibilities of the committee: (a) increased public understanding of the problem; (b) suggesting ways and means of improving productivity; (c) reviewing Federal legislation and major Government programs affecting prices and costs, such as subsidy programs, regulatory programs (ICC, CAB, etc.), and wage-hour laws, etc.; and (d) offering recommendations to both government and industry for implementing a, b, and c.

This committee should be appointed by the President, be provided with the necessary staff, be able to organize task forces, and conduct public hearings.

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By BHc NLE, Date 8-11-76

Sec. Mitchell indicated that the present Committee was divided in opinion as to whether the permanent committee should be a Cabinet Committee or a national board of outstanding citizens. In the latter event, the public committee could draw support from a Cabinet Committee that could be organized for this limited purpose rather than for the full job. Sec. Mitchell believed the total program would cost about $750,000, of which $450,000 was already in the Labor Department budget. He believed the staff for the interagency committee should come from the Agencies and the staff for the major public or Cabinet Committee (Recommendation 5) should be furnished by the Administration.

The President commented on the need for avoiding controversy in any first announcement of this program, so that the job of building understanding could be carried forward prior to deep involvement in controversy. He ascertained that the interagency committee might find it desirable to offer suggestions to the major committee for study, especially where legislative obstacles were involved. He was certain that the committee would have to have adequate authority, perhaps through an Executive Order, to get down into the Agencies and get the true facts concerning procurement, etc.

Amb. Lodge and Sec. Mitchell spoke of the great need for developing public understanding of the seriousness of these problems, an understanding which is nearly non-existent at this time. Sec. Anderson mentioned the interest of the Advertising Council in this problem. Mr. Rogers noted that Sen. McClellan was looking for a suitable subject for inquiry during the next legislative session. There was some indication he might hit on an investigation of featherbedding.

The Postmaster General urged that the major committee be a Cabinet Committee for he felt strongly that the responsibility was an Executive Branch one which should not be delegated -- even in appearance -- to a public board. The President was concerned about the additional requirement this would make on the time of Cabinet members, but he would be happy to have it as a Cabinet Committee if it were possible for Cabinet members to put in the time. The Postmaster General thought this subject so important that Cabinet members could delegate many of their departmental duties to their skilled and experienced staffs.

The President questioned the source of funds for this work -- other than for staffs which he believed could be detailed from the Agencies. Mr. Stans was confident the financing could be arranged.

Sec. Mitchell believed a public board more desirable than a Cabinet Committee as the top group. Adm. Strauss had some doubts about this. The President thought a Cabinet Committee with a Citizens Committee, like that for the Hoover Commission Report, might be the answer. Mr. Lodge felt an advertising council effort more important than anything a citizens committee had ever been able to accomplish. The Vice President saw merit

~~CONFIDENTIAL~~

DETERMINED TO BE AN
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E.O. 11652, Section 1
By DHC NLE, Date 3-11-77

in the freedom that a public board would have in holding hearings. He also stressed the need for other activities such as legislative inquiries.

Regarding public hearings, Mr. Rogers stated that it would not be necessary to get legislation for subpoena powers.

After further discussion of the mechanics of the job, the President stated his agreement with the idea of sending out a task force, which ought to be composed of Government personnel to obviate additional salaries. He stated that what he would really hope to do would be to have both a public group and a Cabinet Committee. He asked that the Budget Bureau work up a practical and detailed study with complete arrangements for organizational relationships. He felt certain it would be necessary to have some sort of a Cabinet Committee to show the Executive Branch's cooperation. But he did want to see the specifics of organization, financing, and functioning. Sec. Mitchell stated that this would be prepared.

* * * *

The President and some of the Cabinet left the meeting at this point since they had heard at NSC the Defense briefing to follow.

* * * *

Defense Budget - Sec. Quarles introduced Mr. Lehrer of the Comptroller's Office, who presented a number of statistics on the new Defense Department budget. These included: The NOA for 1960 will be slightly above 1959, Direct Obligations will be somewhat less, and Expenditures will be $40.95 billion as compared with $40.8 billion for 1959. These are consistent with a level spending rate for 1961.

In the brief discussion that followed, Mr. Quarles pointed out that there was a carryover of funds ("no year" money), that there is a reduction in the number of units of airplanes, weapons, etc., because of the higher cost per unit of either existing or improved models. He stated that the Joint Chiefs of Staff consider this as a whole a proper program for the country, but each of the Chiefs is dissatisfied with his share of the pie. Sec. Mitchell ascertained that AEC and Mutual Security appropriations would contain an additional $4.5 billion of items of a security nature.

Regarding the decreased number of planes to be bought, Mr. Quarles pointed out that purchases will not even cover attrition, that airplanes are still important although they are playing a progressively smaller role as missiles come in. He noted again that the total of funds expended for planes remains equal to recent years.

Lam

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Robert Gray
Mr. Minnich

~~CONFIDENTIAL~~

RA - 58-123

December 23, 1958

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, December 19, 1958:

1. Support of the President's Budget by Agency Witnesses at Congressional Appropriations Hearings — CP - 58-44/1

ACTION:

a) Cabinet Paper 58-44/1, including its Recommendations, was approved, with an inclination to favor disciplinary measures in cases of flagrant violations.

b) This action will be communicated to the principal agency heads not members of the Cabinet.

c) The Director of the Bureau of the Budget will furnish each agency head personally with appropriate information concerning last year's violations.

2. Long-Term Anti-Inflationary Measures with Respect to Costs -- Report of the Special Cabinet Group

ACTION:

a) The President approved the recommendations of the Special Cabinet Group, i. e.:

i. The Administration will propose that the Employment Act of 1946 be amended to include "a reasonably stable level of prices" as one of its basic objectives.

ii. An Executive Order is to be drafted and issued promptly which will establish a Committee on Government Activities Affecting Prices and Costs as a mechanism for ensuring that the Federal Government's own programs do not contribute to inflation:

-- The Committee's basic membership to consist of representatives of those Federal agencies conducting significant procurement, stockpiling, commodity stabilization, rate-regulation and subsidy programs (e.g., Defense, Agriculture, Post Office, Commerce, AEC, GSA, and Budget, with others ad hoc).

-- Its Chairman to be the Chairman of the Council of Economic Advisers.

-- Its task to effect better coordination among all the Federal agencies whose activities significantly affect prices and costs, to help ensure that these activities are internally consistent and that they support rather than negate the Administration's clear policy of curbing inflationary price and cost rises.

-- Its further task to review all Federal statutes and regulations which apply to Federal activities affecting prices and costs, and to recommend to the President and/or to the group mentioned in (v) below, new measures, including proposed legislation, which will ensure that in the Administration's anti-inflationary efforts, the Federal Government's own house is in order.

-- The Committee to have a full-time Executive Secretary and an appropriate staff, all to be provided by the participating agencies.

iii. The Bureau of the Budget, through its Division of Statistical Standards, and with the full cooperation of the other Federal agencies concerned, is promptly to undertake projects designed to enlarge and improve the information available to the Federal Government and to the public on prices, wages and productivity. (The President approved the allocation of an additional $300,000 to the currently available $450,000 for this purpose -- which was estimated to cost $750,000 in all).

iv. The Administration will continue to emphasize its support for effective labor reform legislation.

v. A Committee will be appointed to study the problems of achieving price stability, with the following terms of reference:

-- To help build a better public understanding of the necessity for maintaining a reasonably stable level of prices and continuing economic growth;

-- to propose ways and means to improve productivity including the avoidance of uneconomic restrictions upon production;

-- to review Federal legislation and government programs affecting prices and costs such as subsidy programs, regulatory programs, and laws affecting wages and hours;

-- to report on, and to make recommendations for, ways and means, both governmental and private, for achieving these objectives.

The Committee would be furnished the full cooperation of all the Federal agencies; would be provided with requisite staff from the Federal agencies affected, and would be authorized to organize task forces (either government, or private, or both) to undertake various specialized phases of its inquiry and to hold hearings.

b) In order that the President may determine how best to utilize the services of outstanding private citizens in the above regard (cf Recommendation v). The Secretary of Labor and the Special Cabinet Group will identify more precisely and review the possible alternatives in the light of the Cabinet discussions, will study the respective functions, authority, feasibility and costs of the alternatives and will present them in chart from at a Cabinet meeting in the near future.

c) Immediate action, including mention in the appropriate coming Messages, is to be pressed for items (a) i, ii, iii and iv above, and especially for (a) ii, separately, in order to create maximum public impact, but only in the context of a statement which the Committee is to draft promptly for the President's consideration. This statement is to set the objectives and frame of reference for these new actions in such a way that they have a chance to get started and produce results before they are distorted by demagogic criticism.

* * * * * *

POST-CABINET BRIEFING

The Department of Defense Budget and Program

ACTION:

At the recommendation of the President, noted by the Cabinet Members attending.

Robert Gray
Secretary to the Cabinet

Approved by the President

December 23, 1958

December 20, 1958

MEMORANDUM FOR THE PRESIDENT:

From: Robert Gray
Secretary to the Cabinet

Attached, for your approval, is the draft Record of Action from the Cabinet meeting of yesterday.

This draft bears the concurrence of Messrs. Mitchell and Stans.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP -58-44/1

December 16, 1958

THE WHITE HOUSE

Washington

Support of the President's Budget by Agency Witnesses at Congressional Appropriation Hearings

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget.

This paper cites the law and policy governing the testimony by government officials concerning appropriations.

Reference should be made to approved Cabinet Paper 44 and to Item 1 of Record of Action 42 of January 16, 1956.

Attention is called to the Recommendations on page 2 and to the appended list of examples, taken from the 1959 printed hearings, of instances where witnesses failed to support the Budget before Congressional Committees.

The Recommendations herein are submitted for the concurrence of the Cabinet and the approval of the President.

Robert Gray
Secretary to the Cabinet

CP - 58-44/1

December 16, 1958

CABINET PAPER—PRIVILEGED

THE CABINET

Property of the White House—For Authorized Persons Only

Support of the President's Budget by Agency Witnesses at Congressional Appropriation Hearings

Problem: On various occasions in the course of appropriation hearings on the 1959 budget, witnesses representing departments and agencies of the executive branch failed to support properly the President's budget. What steps can be taken to minimize this in the future?

Discussion: In its consideration of the 1959 budget there was a tendency for Congress to vote larger appropriations than were recommended by the President in his budget. Generally in appropriation hearings agency witnesses supported adequately the official budget estimates for their programs, and resisted invitations by Congressmen and Senators to appeal for more money, when such invitations were extended. However, this was not always the case.

At least thirty-one instances of failure to support the budget can be identified in the records of the 1959 appropriation hearings. There were appeals for higher appropriations, more liberalized appropriation language, supplementary appropriations as yet not reviewed by the executive, and other actions which undermined the budget. Some of these actions were in response to an encouraging line of questioning; most were in response to a largely neutral line of questioning, however, and a few of the appeals were volunteered (not answering a question) by the witnesses. Ten illustrations of such failures to support the budget are provided in the attachment.

This is not a new problem. It was brought to the attention of the Cabinet on January 16, 1956, in Cabinet Paper 44, when it was agreed that steps should be taken to see that witnesses preparing to testify before appropriation committees are cognizant of the necessity to support the President's budget. As an outgrowth of this meeting, letters urging budgetary support were hand-delivered by policy officials of the Bureau of the Budget to heads of agencies not represented at the Cabinet meeting.

There are two laws germane to this subject. The first is the Budget and Accounting Act of 1921, as amended, which establishes the President's responsibility for preparing and submitting the budget, and which prohibits the submission of an estimate or request for an appropriation by any officer or employee of the Government unless requested by either House of Congress. The second is section 1913 of Title 18 of the U.S. Code, which requires that communications with respect to requests for legislation or appropriations be transmitted "through the proper official channels."

Aside from the legal aspects of the problem, sound executive budgeting requires faithful support of the budget by individual agency representatives. The budget is the outcome of an overall consideration of the needs of the entire executive branch, which is undertaken with the objective of achieving a balanced program within limited fiscal resources.

It is of course difficult for agency witnesses to restrain themselves from expressing a personal wish that their agency's appropriations be increased, because of the natural loyalty each witness feels toward his organization and its programs. When Congressmen or Senators request a witness' personal opinion regarding an appropriate budgetary level, he must of course answer forthrightly and truthfully. But, in the interest of sound executive budgeting, it is important that answers be brief and to the point, and that they do not furnish extended justifications for heightened programs. Also, it is important that personal opinions be clearly identified, as such, with an accompanying statement that the witness does not have the advantage of the President's perspective on the Government as a whole and therefore his answer may be prejudiced.

Recommendations: That the head of each department and agency examine the record of testimony given by representatives of his department or agency to congressional appropriation committees in the presentation of the 1959 budget, to determine if any instances of failure to support the budget occurred; that those individuals who did fail to support the budget be made aware of the law on the subject and the principles of sound executive budgeting and the reasoning behind them; that previous to future appropriation hearings persons preparing to appear as witnesses be reminded of the pertinent law and principles, and be made thoroughly acquainted with the overall budgetary objectives of the administration.

Implementation: Each department and agency head will take appropriate action. The Bureau of the Budget will take steps to make known to non-cabinet agency heads the appropriate action required.

Attachment: Examples of instances where agency witnesses failed to support the President's budget before congressional committees.

Appendix to
CP - 58-44/1

EXAMPLES OF INSTANCES WHERE WITNESSES FAILED TO SUPPORT THE PRESIDENT'S BUDGET BEFORE CONGRESSIONAL COMMITTEES

(From the printed record of hearings on the 1959 budget)

Example #1.

Agency director complained in his formal, opening statement that the cut his budget had suffered in the process of executive review had put his agency in the position of not being able to perform its job.

Example #2.

Agency head stated, without being questioned on the matter, that an allowance had been reduced in the course of executive review, and he appealed for its reinstatement.

Example #3.

Department head submitted an elaborate anti-recession plan to step up his agency's construction activity which had not undergone executive review.

Example #4.

Witness volunteered the view that an appropriation language change proposed in the President's budget should not be enacted.

Example #5.

Witness justified to great length the size of his agency's original budget estimate to the Bureau of the Budget.

Example #6.

Department head testified that a supplemental request for more funds would soon be forthcoming, even though the request was still undergoing executive review.

Example #7.

Witness suggested that an appropriation language change be instituted to allow use of 1959 money in 1958, as soon as the 1959 bill was enacted. This had not been cleared in the executive branch.

Example #8.

Bureau chief failed to indicate, when discussing a sharp reduction in force that had been effected for a particular field installation, that informal agreement had been reached during budgetary review to transfer to this office several personnel from other field points.

Example #9.

Witness suggested that a program could be enlarged if additional funds were provided.

Example #10.

Department head agreed with his interrogators that a particular program was not being budgeted at a proper level.

THE WHITE HOUSE
WASHINGTON

December 18, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, December 19, 1958

The following items are listed for Cabinet consideration on Friday:

1. Support of the President's Budget by Agency Witnesses at Congressional Appropriations Hearings (Director Stans)

The Director of the Bureau of the Budget wishes at this time to reaffirm to the Members of the Cabinet the necessity for teamwork and discipline in presenting your budget to the Congress. Several instances have been found, in last year's appropriations testimony and even in some Department Heads' opening statements, of wide departure from your objectives.

2. Long-Term Anti-Inflationary Measures with Respect to Costs -- Report of the Special Cabinet Group (Secretary Mitchell)

At the Cabinet meeting of last August first, and subsequently in a private letter, you asked Secretary Mitchell to chair a special Cabinet group to explore the feasible alternatives which you could consider recommending in this complicated and controversial field.

Post-Cabinet Briefing:

The Department of Defense Budget and Program (Under Secretary Quarles and Mr. Max Lehrer)

Director Stans has requested that those members of the Cabinet not participating in the NSC should hear a presentation on the Defense Department budget -- since this budget accounts for so much of the government's spending. Such a presentation will follow the regular Cabinet meeting after you and those who regularly attend NSC have departed.

Robert Gray

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

December 15, 1958

MEMORANDUM

The following items are planned for the Cabinet agenda of Friday, December 19, 1958 (the last general opportunity for discussion of the legislative program):

1. Long-Term Anti-Inflationary Measures with Respect to Costs -- Report of Secretary Mitchell's Special Cabinet Group (Secretary Mitchell)

At the Cabinet meeting of last August 1st, and subsequently in a private letter, the President asked Secretary Mitchell to chair a special Cabinet group to explore the feasible alternatives which the President could consider recommending in this complicated and controversial field.

Secretary Mitchell's preliminary discussions are now nearly finished. At Cabinet last Friday the President expressed a definite interest in having this report presented promptly to the Cabinet.

2. The HEW Legislative Program -- Proposed Loan Guaranty Program for School Construction (Secretary Flemming)

After weeks of research and exploratory discussions, Secretary Flemming is now going over his proposals on this subject with the Bureau of the Budget and the White House staff. This process had not quite been completed by last Friday, when he was originally scheduled to present his proposals. It is expected that his recommended program will be ready for Cabinet consideration and Presidential decision by the end of this week.

3. Supporting the President's Budget Estimates **(Director Stans)**

The Director of the Bureau of the Budget wishes at this time to reaffirm to the Members of the Cabinet the necessity for teamwork and discipline in presenting the President's budget to the Congress. Several instances have been found, in last year's appropriations testimony and even in some department heads' open statements, of wide departure from the President's objectives. This item will be supported by a Cabinet Paper which cites some of these instances.

Other items which may be ready are:

4. The Highway Program and Its Financing **(Secretary Strauss)**

One of the Administration's major recommendations this year will be for increased taxes to assure the sound financing of the highway program and to keep its present time schedule. Mr. Tallamy and Secretary Strauss have prepared a presentation, some part of which may be given at the Legislative Leaders meeting December 15th. If, after that meeting, it still appears desirable to consider this as a Cabinet item, Friday will be the last opportunity.

Post-Cabinet Presentation of the Defense Department Budget **Under Secretary Quarles and Mr. McNeil**

Director Stans has suggested that it would be both appropriate, useful, and timely for those Members of the Cabinet not participating in the NSC to hear a presentation on the Defense Department budget -- since this budget accounts for so much of the government's spending. Such a presentation would, of course, be arranged to follow the regular Cabinet meeting and would be like those in the past which have proved highly informative.

CABINET PAPER—PRIVILEGED

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CP - 58-44/1

December 20, 1958

The White House

Washington

THE CABINET

Support of the President's Budget by Agency Witnesses at Congressional Appropriation Hearings

The attached approved paper is circulated for the action of each Cabinet member, with implementation, to be monitored by the Director of the Bureau of the Budget.

This paper was approved by the President at the Cabinet meeting of December 19, 1958 (RA - 58-123, Item 1-a). The Bureau of the Budget has completed the assignment recorded in subparagraphs 1-b and 1-c of this Record.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

CP - 58-44/1

December 20, 1958

CABINET PAPER—PRIVILEGED

THE CABINET

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Support of the President's Budget by Agency Witnesses at Congressional Appropriation Hearings

Problem: On various occasions in the course of appropriation hearings on the 1959 budget, witnesses representing departments and agencies of the executive branch failed to support properly the President's budget. What steps can be taken to minimize this in the future?

Discussion: In its consideration of the 1959 budget there was a tendency for Congress to vote larger appropriations than were recommended by the President in his budget. Generally in appropriation hearings agency witnesses supported adequately the official budget estimates for their programs, and resisted invitations by Congressmen and Senators to appeal for more money, when such invitations were extended. However, this was not always the case.

At least thirty-one instances of failure to support the budget can be identified in the records of the 1959 appropriation hearings. There were appeals for higher appropriations, more liberalized appropriation language, supplementary appropriations as yet not reviewed by the executive, and other actions which undermined the budget. Some of these actions were in response to an encouraging line of questioning; most were in response to a largely neutral line of questioning, however, and a few of the appeals were volunteered (not answering a question) by the witnesses. Ten illustrations of such failures to support the budget are provided in the attachment.

This is not a new problem. It was brought to the attention of the Cabinet on January 16, 1956, in Cabinet Paper 44, when it was agreed that steps should be taken to see that witnesses preparing to testify before appropriation committees are cognizant of the necessity to support the President's budget. As an outgrowth of this meeting, letters urging budgetary support were hand-delivered by policy officials of the Bureau of the Budget to heads of agencies not represented at the Cabinet meeting.

There are two laws germane to this subject. The first is the Budget and Accounting Act of 1921, as amended, which establishes the President's responsibility for preparing and submitting the budget, and which prohibits the submission of an estimate or request for an appropriation by any officer or employee of the Government unless requested by either House of Congress. The second is section 1913 of Title 18 of the U.S. Code, which requires that communications with respect to requests for legislation or appropriations be transmitted "through the proper official channels."

Aside from the legal aspects of the problem, sound executive budgeting requires faithful support of the budget by individual agency representatives. The budget is the outcome of an overall consideration of the needs of the entire executive branch, which is undertaken with the objective of achieving a balanced program within limited fiscal resources.

It is of course difficult for agency witnesses to restrain themselves from expressing a personal wish that their agency's appropriations be increased, because of the natural loyalty each witness feels toward his organization and its programs. When Congressmen or Senators request a witness' personal opinion regarding an appropriate budgetary level, he must of course answer forthrightly and truthfully. But, in the interest of sound executive budgeting, it is important that answers be brief and to the point, and that they do not furnish extended justifications for heightened programs. Also, it is important that personal opinions be clearly identified, as such, with an accompanying statement that the witness does not have the advantage of the President's perspective on the Government as a whole and therefore his answer may be prejudiced.

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Implementation: Each department and agency head will take appropriate action. The Bureau of the Budget will take steps to make known to non-cabinet agency heads the appropriate action required.

Attachment: Examples of instances where agency witnesses failed to support the President's budget before congressional committees.

CABINET PAPER—PRIVILEGED
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Appendix to
CP - 58-44/1

EXAMPLES OF INSTANCES WHERE WITNESSES FAILED TO SUPPORT THE PRESIDENT'S BUDGET BEFORE CONGRESSIONAL COMMITTEES

(From the printed record of hearings on the 1959 budget)

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Example #10.

Department head agreed with his interrogators that a particular program was not being budgeted at a proper level.

CABINET PAPER
For Action

RA - 58-113

August 4, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular meeting of the Cabinet on Friday, August 1, 1958:

1. Promoting the Growth of the National Economy

ACTION:

a) The Chairman of the Council of Economic Advisers will discuss further with the President the formation of a special Cabinet group or groups to study:

i) Tax structure reform, (including the problems of percentage rates, depreciation allowances and over-dependency on income as a tax basis) with due regard being given to both short-range and long-range effects;

ii) Long-term anti-inflationary measures, especially with respect to costs.

These groups will present for the Cabinet's consideration and Presidential use a positive program to meet the nation's major economic problems.

b) The deadline for departmental and agency contributions to the President's annual Economic Report is to be advanced to September, to permit concurrent consideration of these contributions with the above studies.

ADDITIONAL ITEMS:

A. FY 1959 Expenditures

ACTION:

The Cabinet noted that with respect to the immediate problem of 1959 expenditures, the following possible courses of action were advanced:

1) Vetoes (accompanied by strong messages) of extravagant spending proposals;

2) Appropriate Congressional economy action;

3) Investigation by the Director of the Bureau of the Budget of authorizations in the FY 1959 appropriations including the Defense appropriations, which are in excess of the President's budget and which could be made subject to a withholding of funds if the President so determined.

B. Executive Sessions of the Cabinet

ACTION:

The President suggested that each Cabinet meeting begin with a 10-minute Executive Session.

Robert Gray
Secretary to the Cabinet

Approved by the President
August 4, 1958

CABINET PAPER—PRIVILEGED

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CA - 59-124

January 15, 1959

The White House

Washington

THE CABINET

Agenda

8:30 AM, Friday, January 16, 1959

1.	Preview of the 1960 Budget	(Oral)	The Director, Bureau of the Budget
2.	Cabinet Photograph		
3.	Initiation of Preparations for Tariff Negotiations	(Oral)	The President
	Executive-Congressional Consultations	(Oral)	The President
4.	Report from the Fourth Meeting of the Canada-United States Cabinet Committee on Economic Affairs	(Oral)	The Secretary of the Treasury

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CA - 59-124

January 14, 1959

The White House

Washington

THE CABINET

Agenda

8:30 AM, Friday, January 16, 1959

1.	Preview of the 1960 Budget	(Oral)	The Director, Bureau of the Budget
2.	Cabinet Photograph		
3.	Initiation of Preparations for Tariff Negotiations	(Oral)	The President
4.	Report from the Fourth Meeting of the Canada-United States Cabinet Committee on Economic Affairs	(Oral)	The Secretary of the Treasury
5.	Standards and Procedures for the Utilization of Public Advisory Committees by Government Departments and Agencies	CP - 59-82/2	The Secretary of Commerce

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By RHC NLE, Date 6-13-77

MINUTES OF CABINET MEETING

January 16, 1959
8:30 A. M. -- 10:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles (in part), and
Mr. Douglas Dillon
Sec. Anderson
Sec. McElroy
Atty. Gen. Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Mitchell
Sec. Strauss
Sec. Flemming

Director Stans
Gov. Hoegh
Amb. Lodge

Mr. Elliott Richardson, HEW
Mr. McCone, AEC
Mr. Roger Jones, Budget

Mr. Hagerty (in part)
Gen. Persons
Mr. Robert Gray
Mr. Morgan
Mr. Gordon Gray
Mr. Merriam
Mr. Jack Anderson
Dr. Paarlberg
Mr. Siciliano
Mrs. Wheaton
Gov. Pyle
Mr. Kendall (in part)
Maj. Eisenhower (in part)
Mr. Patterson
Mr. Minnich

(The President did not join the meeting until after the first two items)

Preview of 1960 Budget - Mr. Stans made essentially the same presentation as at the last Leadership meeting, again emphasizing the details of how expenditures could be reduced by approximately $4 billion without injuring regular programs. He distributed copies of the Budget in Brief and called particular attention to the tables on pages 7, 9, 11, 13 and 15.

Sec. Benson ascertained that the departments can give previews of their own budgets to the press at any time, provided it is on a "hold for release" basis until Monday noon, when the budget will go to the Congress.

US - Canada Meeting - Cabinet Level -- Sec. Anderson reported on the fourth meeting of this Cabinet-level group concerned with economic matters. He stressed the cordiality of the discussions, during which full explanations were offered by each side regarding the necessities of certain actions taken

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BWC NLE, Date 6-13-77

during the past year with an adverse impact on the other. The Canadians were particularly concerned with our zinc and lead and oil import quota actions and a recent anti-trust suit brought by the Justice Department. Mr. Anderson stressed the importance and usefulness of the extensive advance consultation that normally marks US-Canadian relationships. He noted particularly that certain actions may seem of little moment to us but are taken very seriously in Canada, and we must be on the lookout for these.

School Construction Proposal - The President introduced this item by stating Sec. Flemming's belief that the Administration should submit some program for school construction to the Congress, preferably one that would not have an immediate impact on the budget. The President asked that during this presentation the Cabinet have in mind two principal questions: (1) would initiation of Federal assistance encourage a lasting dependency on the Federal Government for school construction; and (2) what would be the effect on the fate of the Administration's complete program that would result from putting a new spending proposal in front of a Congress composed in large part of spenders.

The President stated his own grave doubts about this proposal and then told Dr. Flemming that he might proceed, having been put in that much of a halter.

Dr. Flemming read the memorandum stating this proposal (copy attached).

The President asked if population growth would not require this program to be continued after its scheduled expiration; also, he wanted to point out, the Administration had not submitted a school construction program last year. He stated his feeling that the defense education program resulted from a recognizable national need but that school construction has been traditionally a local responsibility. Sec. Flemming admitted the probability of a remaining need ten years from now, then pointed to the incentives in this proposal for needy districts to improve their situations, following which they could leave the program.

In the ensuing lengthy discussion a number of significant points were made: Admiral Strauss foresaw a technical difficulty for a local school board to commit itself and its successors over a long future term. Sec. Anderson thought it desirable to maintain the provision (originated by Treasury) for possible repayments by the localities after retirement of the bonds -- especially since the Federal Government already has difficulty marketing securities reasonably and would be encouraging competition in the securities market through this proposal. Sec. Seaton foresaw, as a result of this program, new difficulties arising for school districts not eligible for aid. Sec. Benson feared there would be no end to such a program, that it would jeopardize our fiscal integrity; he asserted that the

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money originates in the States anyway, that there really are not any poor States any more, that the majority of Americans don't really want the Federal Government getting into school construction, and that further studies might well be made to develop other means of stimulating the States and localities to shoulder their responsibilities. Mr. McElroy recalled his experience with the White House Conference on Education, the general conclusion that there were only four States that could not adequately provide schools, and the concern of many that providing a crutch to the States would actually weaken their determination to do their part. Mr. McElroy had a different feeling as to higher education where private institutions must have help or they will be replaced almost completely by public institutions of higher education. Dr. Flemming pointed out that the school room gap was being narrowed only very slowly, and at the cost of doubling the school debt of the localities.

The President returned repeatedly to the responsibilities of the States and his feeling that Federal assistance should go only to the States that cannot do the job, assuming they can be identified. He commented on the failure of many Americans to remember that Federal taxes are paid largely by people of moderate incomes rather than mainly by the rich. He recalled how he had argued at length with Mrs. Hobby and Mr. Folsom when they advanced their proposals but that he had given his approval in view of the majority that felt they were right. He stressed that should this proposal be approved, it should not be made a part of the program since it would split wide open the small group of Republicans that remains.

The Vice President reviewed many of the arguments sure to arise. He felt that most people will say that there is a need for class rooms, that a negative budgetary stand would not win approval, and that most Americans would say this is a government responsibility without distinguishing between Federal and State governments.

Amb. Lodge recalled the defeat of Sen. Taft's proposal to identify and assist the poor States, then he noted the argument that would be made about the Federal government monopolizing sources of funds by virtue of the income tax, hence the responsibility of the Federal government to help regarding schools. As a practical matter, he suggested that decision on this proposal be postponed until the Congressional situation develops further. The President cited Flemming's need for a decision prior to testifying on the Hill.

Sec. Mitchell stressed the human element in education, the impending population explosion, and the importance of this national resource -- our children. In a quick exchange, the President and he brought their thinking together as to the Federal role being that of acting where the States were unable to act. Dr. Flemming hoped to avoid any "either/or" proposition, emphasizing instead that it is a matter of the Federal government being an intelligent partner with the States. He felt that as a practical political matter, the Administration should not reverse the position it took in adopting Mrs. Hobby's proposal. He commented on the impressive

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share of total health, education and welfare activities carried on by the States. He felt this specific proposal would effectively show the Administration's willingness to help meet a critical situation without resorting to the very radical proposals sure to be forthcoming from the Congress.

Mr. Summerfield drew attention to the position of the Republican Leadership. Gov. Hoegh thought Federal aid would be seized as a godsend by numerous Governors who campaigned successfully on a platform of better schools and reduced taxes. Mr. Stans thought this program might spur other welfare proponents to press for the 25-year bond approach, yet he did not wish to breach the budget by a direct grant program.

The Vice President re-emphasized the need for providing a feasible vehicle for those Republicans in Congress who feel some school construction legislation to be necessary. Sec. Anderson suggested that the Administration might limit itself to commenting on various bills, citing one like this as preferable to other more radical ones, but Sec. Flemming believed the Administration needed to state positively a program after so many years of study.

The President concluded the discussion by directing Dr. Flemming to attend the next Leadership meeting when the case for Administration submission of this proposal could be stated. Somewhat ruefully, the President recalled his basic belief in local responsibility in this area and his own efforts for six years to reduce Federal expenditures. He believed the Administration would have to make this proposal despite his instinctive feelings. (See also note at end of meeting.)

Preparations for Tariff Negotiations - The President noted that preparations would soon begin for tariff negotiations under the Reciprocal Trade Act of 1958. Although this is a four-year Act, the work must be done long before 1962, said the President. He stated that the Secretary of State would provide the over-all guidance for this work, but that many departments would be interested in it and should get special people working on it so that the work would be done in timely fashion.

Executive-Congressional Consultations - The President called attention to Mr. Halleck's proposal for a dinner for the Policy Committee and the Cabinet, with 5-minute speeches to be given by each Cabinet member. This would not include the State - Defense area.

The President noted the feeling that the Cabinet ought to take the initiative to get Congressional people in for breakfasts, luncheons, etc., and in general establish a continuing social relationship. This should be helpful

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in connection with the improved organization within the Congress and the new faces among the Leadership. He outlined some of his own efforts. Sec. Anderson told of Treasury's progress in doing this sort of thing.

* * *

The President reverted to the subject of school construction, suggested that Dr. Flemming see some of the Congressional Leaders even before the Tuesday meeting, and then commented that the budgetary aspects of this would not be important if the program could be held within the bounds set by Flemming.

L. A. Minnich, Jr.

COPIES TO:
- Mrs. Whitman (2) ✓
- Mr. Robert Gray
- Mr. Minnich

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COPY NUMBER: 034

CP - 59-89

January 3, 1959

The White House
Washington

THE CABINET

State of the Union Message

The President requests your consideration of the attached draft of his State of the Union Message for 1959.

This numbered copy is sent to you on an "eyes only" basis. Such comments as you may have are requested in writing by Monday afternoon, January 5, and may be submitted to this office or to Dr. Malcolm Moos of the White House staff.

Each Cabinet member is requested to take special precautions to protect the privileged nature of this document.

[Not considered at a meeting]

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

COPY NO: 034

CP 5989

January 3, 1959

THE WHITE HOUSE

Washington

THE CABINET

State of the Union Message

FORWARD IN FREEDOM: THE MISSION OF AMERICA IN A NUCLEAR AGE

Mr. President, Mr. Speaker, Members of the 86th Congress:

This is an hour on history's clock when yearly we counsel together to plan for a better America.

One basic purpose unites us all:

To promote strength and security, side by side with liberty and opportunity.

How we attain this goal is a matter that may divide us sharply during the coming months. Spirited debate is the very breath of free government -- it is the American way.

But intolerant partisanship has no place in the necessary working partnership of the Congress and the Executive to build a more abundant America and a just peace among nations. With common national goals in view, surely a constructive spirit should guide the course of debate.

To this end I pledge earnest cooperation.

* * * * *

Our Nation, now in the one hundred and seventieth year of its lifeline, is in an era of tremendous productivity and growth. National output will soon exceed 500 billion dollars a year -- one and one-half times that of ten years ago. With six percent of the world's population, we will produce nearly half its output.

This nation has succeeded to a position of enormous power and responsibility at the very moment when free men face their greatest test of the ever-vital question: can government based upon liberty and the rights of man permanently endure?

Our world is passing into a new stage of its existence.

Today, swifter-than-sound nuclear weapons can threaten entire civilizations. In such a world a would-be aggressor is a far cry from a disorderly bully disturbing the peace of the neighborhood. Keeping a genuine peace in today's world more than ever before calls for the utmost in the nation's resolution, endurance, restraint, and unremitting effort.

We cannot build peace through sentiment alone. Step by step we must develop and strengthen the institutions of peace -- a peace that rests upon justice -- a peace that looks to the wisdom of the ages for the amicable settlement of each passing conflict.

Progress demands not only imagination in the search for new approaches but equally it demands courage, understanding and firmness.

This is not the time for rash departures from well-tried method. The need is for steady, responsible action in pursuit of our established goals -- both domestic and world-wide.

We must approach our common objectives with common sense.

I

To win peace, we must first prevent war.

Our aim is to prevent war's occurrence at any place and in any dimension. If, despite our best efforts, a local dispute should flare into armed hostilities, our immediate purpose would be to keep the conflict from compromising freedom. In support of these objectives we maintain forces of great power and flexibility.

Our nuclear air striking forces are a powerful deterrent to general war. Large and growing portions of these forces can depart from their bases in a matter of minutes -- so quickly that no enemy attack could destroy them on the ground.

Other forces, when requested by friendly and responsible governments, can move with swiftness and precision to curb aggression. This stabilizing influence has been dramatically demonstrated more than once over the past year.

Our military and related scientific progress has been no less than revolutionary.

We have successfully placed five satellites in orbit and they have gathered information of great scientific importance never before available. Our latest satellite illustrates our steady advance in rocketry and foreshadows exciting new developments in world wide communications.

We have established our first ATLAS intercontinental ballistic missile training units. Launching sites have been under construction for months.

Our atomic submarines have shattered endurance records and performed historic voyages under the North Polar sea.

New aircraft that fly at twice the speed of sound are entering our squadrons.

Our Department of Defense is undergoing a far-reaching reorganization. Already, better unity of effort, and more effective control and direction are being achieved. Even more efficient operations, speedier reaction to an emergency, and substantial further economies can be expected in the future.

These few highlights point up our extraordinary military gains. We are rightfully gratified by the splendid achievements they represent. But we must remember, too, that these advances are purchased at great cost.

National Security programs account for nearly sixty percent of the entire Federal budget for this coming fiscal year.

Modern weapons are fantastically expensive:

The overall cost of introducing ATLAS into our armed forces will average $35 million per missile on the firing line.

This year we are investing almost $7 billion in missile programs alone.

Over $5-1/2 billion goes for research, development, test and evaluation of new weapons systems.

Our latest atomic submarines will cost $50 millions each.

We are now ordering fighter aircraft which cost fifty times as much as the fighters we used in World War II.

We are buying bombers today that actually cost their weight in gold.

These sums are tremendous, but the burden must be borne indefinitely.

For this reason both balance and perspective are mandatory in our planning for defense. At every turn, we must weigh, judge and select. Needless duplication of weapons and forces must be avoided.

Overspending can be as great a disservice as underspending for America and the cause of freedom.

Especially we must guard against building vast armaments to meet glibly predicted moments of so-called "maximum peril". The threat we face is continuous. We must not go to an extreme of spending in response to groundless fear. Nor should complacency lead us to the other extreme. In these days of endless technological advance, we must plan our defense expenditures systematically and with care, as each generation of weapons succeeds the one before it.

Our own vast strength is only a part of that required for dependable world peace. We are joined with 42 nations in global systems of collective security. In these common undertakings each nation is expected to contribute what it is best able to supply; to share the heavy load. Each, under a common plan, supplies part of a strategic deployment to protect the forward boundaries of freedom. The result is an impressive alliance.

Yet we are always seeking new ways to make more effective our contribution to this system of alliances. Recently I have asked a committee of eminent Americans to re-appraise objectively our military assistance programs, and the relative emphasis which should be placed on military and economic aid.

I am hopeful that some preliminary recommendations of this committee will be available in time to assist in shaping the Mutual Security program for the coming fiscal year.

As a peace loving people, we cannot but be disturbed that so much of our efforts and resources must be devoted to armaments. We are earnestly seeking real agreement on the issues of disarmament at Geneva and elsewhere. Yet until there are safe and effective arrangements for arms limitation we must continue reinforcing the indispensable shield which protects us from the ominous threat of Communist military power. We have no other choice.

II

The foundation of our national safety is a strong economy, ever expanding, and ever free. Only with such an economy can we maintain our defenses while simultaneously providing for the well-being of our people.

Our economy can grow in strength only by statesmanship on the part of government, business and labor leaders, and by the avoidance of foolish fiscal policy.

A year ago the nation was experiencing a decline in employment and output. Today that recession is fading into history, without gigantic hastily-improvised public works projects. A healthy recovery has been under way since last May. New homes are being built at the highest rate in several years. Retail sales were never higher. And personal income is at an all-time high.

The strong forward thrust of our economy generates new confidence in the principles upon which it rests. But confidence will grow only as wisdom and prudence guide the actions of both government and the private sectors of our economy.

Our situation is this: Annual commitments for defense in the foreseeable future will be no lower than they are now, and the demands on our domestic economy to support this outlay will be correspondingly great.

We must judge competently how we are going to allocate our resources for economic growth after we have provided wisely for our military strength.

This does not mean that the well-being of our people in any way will be subordinated.

Our programs for the welfare of all our citizens are moving forward.

We have strengthened Federal-State plans to assure good health and security for our citizens.

Next year we will be spending increased amounts on health programs;

on Federal assistance to education;

on the development of the nation's water resources;

on the renewal of urban areas;

and on our vast system of Federal-aid highways.

But we must not forget that fiscal integrity and national progress are interdependent and inseparable. This means that we must examine every item of government expense critically. To do otherwise would be to betray our nation's future.

We must avoid making any contribution to inflationary processes that could disrupt sound growth in our economy.

Though prices have displayed a welcome stability in recent months, history makes clear the risks inherent in any failure to deal firmly with the basic causes of inflation.

Inflation would reduce job opportunities. It would price us out of world markets. Inflation shrinks the future value of savings. It penalizes the thrift and saving so essential to finance a growing economy.

Inflation is not a Robin Hood, taking from the rich to give to the poor. Rather, it deals most cruelly with those who can afford it least. It strikes hardest those millions whose incomes do not quickly rise with the cost of living. As prices spiral, the pensioner and the widow see their security undermined; the man of thrift sees his savings melt away; the white collar worker and the teacher see their standards of living dragged down.

But inflation cannot be made to vanish simply by ignoring it.

It is an insidious intoxicant -- an escape from the current necessity of facing up to hard problems. It can be checked only by responsible action. Inflation is man-made and can be man-controlled. This must be one of our major objectives. The responsibility for preventing inflation rests with both the citizen and his government.

Remembering that liberty is only the opportunity for self-discipline we must encourage the restraint necessary to curb the wage-price spiral. In a time like the present we must meet current costs from current revenue. We must pursue sound policy in the management of money.

To help prevent inflation and keep our economy sound and expanding, I shall submit to the Congress a specific legislative program. The following are highlights:

First, I will present to the Congress a balanced budget.

Ahead of us can lie the greatest prosperity this country has ever known. If we cannot live within our means during a time of prosperity and high taxes, then the prospect for fiscal integrity becomes hopelessly remote.

In my opinion the most important fiscal action we can take now is to live within our means. To do so would be a tangible demonstration of the self-discipline needed to assure a stable dollar.

This budget will call for somewhat lower outlays in the next fiscal year than in the fiscal year 1959. It is a realistic budget with wholly obtainable and feasible objectives.

We can live within our means and do all that we need to do if the Congress and the Executive cooperate closely. The Constitution entrusts the Executive with many functions -- including the power of executive direction.

But the Congress -- and the Congress alone -- has the power of the purse. Ultimately upon Congress rests responsibility for determining the scope and amount of Federal spending.

So I repeat: by working together, the Congress and the Executive can keep this budget balanced. If this is done there is real hope that our continued growth will provide the opportunity in fiscal 1961 for another tax reduction.

I shall request the Secretary of the Treasury to prepare appropriate revisions of our tax structure, and will submit recommendations to this end as soon as our fiscal condition permits. An indispensable condition for achieving this goal is that 1960 spending not exceed the levels I am recommending.

Second, I shall recommend to the Congress specific steps to improve budget-making procedures. For example, I know that the American people will get more for their tax dollars if the Chief Executive has the responsibility either to approve or to veto specific items in appropriations and authorization bills.

Third, I shall recommend legislation for greater Executive authority in establishing the terms under which Federal credit is extended to individuals and others, and to revise the procedures under which private credits are insured or guaranteed by the Federal Government. Present practices have needlessly added large sums to Federal expenditures.

There are several other steps that should be taken at this time to help maintain reasonable price stability:

I shall ask Congress to amend the Employment Act of 1946 to make it clear that Government intends to use all appropriate means to protect the buying power of the dollar.

I am establishing within the Executive Branch a continuing group on Government Activities affecting Prices and Costs. The goal of this group will be to see that Government programs are administered in a manner consistent with price stability.

I am also establishing a continuing Cabinet group on Economic Growth and Price Stability to study governmental and private policies affecting costs, prices, and economic growth. This Cabinet body will strive to build a better public understanding of the conditions necessary for maintaining price stability.

Studies will be undertaken immediately to improve our information on prices, wages, and productivity.

Again I say: we must maintain our security and simultaneously accelerate our growth without incurring inflation. I believe all citizens in all walks of life will support this program for economic growth at stable prices.

* * * * * *

I turn now to an especially important sector of our economy -- agriculture. The year 1958 was an exceptional one for the nation's farmers. Crop yields exceeded the previous record by an astonishing thirteen percent. The well-being of our farm people, as measured by the standards of comfort and convenience, reached new highs.

Yet this generally bright picture is dimmed by disturbing developments. By the end of this fiscal year it is estimated that there will be in Government hands surplus farm products worth about 9 billion dollars. And by July 1, 1959, Government expenditures for storage, interest, and handling of its agricultural inventory will run at a rate of one billion dollars a year.

Expenditures of the Department of Agriculture for the current fiscal year merely for the support of farm prices and farm incomes will exceed five billion dollars. That is a sum equal to approximately two-fifths of the net income of all farm operators in the entire United States.

The increasing cost of farm programs and growing surplus stocks could be borne willingly if it led to a solution of the problem. But unfortunately this has not been true. Failure to correct this difficulty is primarily a matter of Congressional refusal to adopt appropriate remedies.

On three separate occasions I have sent to the Congress special messages on agriculture, calling for greater freedom for our farmers to manage their own farms and greater freedom for our markets to reflect the wishes of producers and consumers. Legislative changes that followed were appropriate in direction but insufficient in magnitude. The most recent message was a year ago, when I proposed that "the overall range within which price supports may be provided should be substantially widened." This recommendation was only partially accepted, for only a few crops.

Clearly this situation calls for action. I shall recommend such action in another special message which I shall transmit to the Congress shortly.

III

America's security demands a world community of strong, stable, independent nations, in which the concepts of freedom, justice, and human dignity can flourish.

Today we know there can be no such thing as Fortress America. If ever we were reduced to such isolation, we would occupy a prison, not a fortress. The question of whether we can afford to help other nations defend their freedom has but one answer: we can and we must. This we are doing on all fronts.

Broadly stated, our foreign policy is unswervingly dedicated to building a permanent and just peace. We do this:

By strengthening our free world allies

By developing the necessary economic programs for a stronger free world, and

By confronting Communist leadership with a strong and purposeful alliance, while trying to reach their peoples with the facts of freedom.

This policy has had measurable success.

During the past six years our free world alliances have been bolstered and the bonds of freedom have been more closely knit together. Our allies in Western Europe are experiencing new internal vitality, and are increasingly more able to resist external threats.

Furthermore, diplomatically and otherwise, we have forthrightly announced that we will not countenance aggression. In Lebanon, Taiwan, and Berlin -- our stand has been clear, right, and expressive of the determined will of a united people.

Acting with other free nations we have undertaken the solemn obligation to defend the people of free Berlin against any effort to destroy their freedom. We shall constantly seek meaningful agreements to settle this and other problems knowing full well that not only the integrity of a single city, but the hope of all free peoples, is at stake.

While we continue to hold up the shield against Communist aggression, we work to build the sound economic base so essential to the Free World's stability and strength.

Wider use of the Development Loan Fund is helping finance important new projects in less developed countries.

A substantial increase in the lending capacity of the Export-Import Bank is assisting many countries to finance their purchases of needed American products.

We are now negotiating with representatives of the twenty Latin American Republics for the creation of an Inter-American Development Institution. Its special purpose would be to assist useful projects not eligible for loans from the World Bank, the Export-Import Bank, or private institutions.

When agreement has been reached, I shall submit to the Congress a recommendation for our participation in this new organization designed to make additional credit available for sound development projects in Latin America.

The four year extension of the Trade Agreements Act provides the basis for beneficial revisions of tariffs and quotas. It will increase the flow of profitable trade in the markets of the Free World.

Today, private enterprise continues to make major contributions to the economic development of nations in all parts of the world. But we have not yet marshalled the full potential of American business for the job of economic expansion abroad, particularly among the newer countries.

Private enterprise is our greatest asset in the world-wide economic struggle for the betterment of mankind. I shall present to this Congress a program designed to promote greater participation by private enterprise in economic development abroad.

Yet all of us know to advance the cause of freedom that we must do much more than help build sound economies.

We must also build healthy bodies.

It is a source of deep satisfaction to note the great progress that has been made over the past few years against one of the great scourges of mankind: disease.

An exciting example of American interest in the health of other peoples is the floating hospital center which will be placed in operation ______________. Under the People-to-People program a hospital ship from the Navy's mothball fleet is being staffed and equipped through the contributions of Doctors, drug and medical equipment makers, and private individuals, all over America. This ship will serve as a mobile hospital and medical training center, going from port to port, bringing the blessings of modern medicine to hundreds of thousands throughout Southeast Asia.

As further evidence of our deep interest in world health, I shall ask the Congress to approve our participation in a Health Planning and Development Board to develop and finance world-wide plans for defeating disease and building health. It will work with our own governmental and voluntary agencies, and with other nations through the World Health Organization.

Meanwhile, so that these urgent programs may suffer no delay, I am requesting funds for their support in the Mutual Security Program -- including money to step up the malaria eradication program, to intensify medical research, and to assist nations in developing domestic water supplies.

We wish to be part of a great shared effort toward the triumph of health. No finer goal is so clearly open to us.

IV

America, we can all rejoice, is a nation that proudly knows her sons and daughters one by one. We are not a collective hive of desperate workers, or a commune of faceless serfs.

If I were permitted only a word to describe America, that word would be freedom. America's mission is simply stated -- it is to make man's life on earth more meaningful and his spirit more nearly free.

For this reason we must be ever mindful of how our own conduct reacts on the world we live in. No nation has ever been so floodlighted by world opinion as the United States is today. Everything we do is carefully scrutinized by our free world allies, neutrals, and the Communist bloc. The bad is seen along with the good.

We are of course sensitive, because we are human. As humans we err. But as free men we are also responsible for correcting the errors and imperfections of our ways.

The continuing disclosure of corruption and abuse of power in labor-management affairs emphasizes the need for improved local law enforcement and the enactment of effective Federal legislation to insure the rights and economic freedoms of millions of American workers. Halfhearted measures will not do. I shall promptly recommend legislation designed to:

Safeguard workers' funds in union treasuries.

Protect the rights and freedoms of individual union members, including the basic right to free and secret elections of officers.

Insure true and responsible collective bargaining.

Protect the public from unfair and coercive practices which are contrary to the public interest.

We must have these vital protections.

I shall ask the Congress to give these legislative proposals the highest possible priority.

* * * * *

In another area of human rights -- freedom from discrimination in public education -- the world is watching our conduct closely.

Our Supreme Court is the ultimate authority in our system of government for interpreting the Constitution. Whenever the supremacy of the Constitution of the United States is challenged, I shall take every action necessary to uphold it. This I have taken an oath to do.

A free people's government has no nobler purpose than to work constantly for the realization of basic human rights. The Supreme Court has held that freedom from discrimination in public education on account of race is a fundamental human right. This is now the supreme law of the land.

In carrying out this decision, wisdom dictates that a course of action be pursued that will please neither the stubborn nor the impatient. Our States must follow such a course -- in good faith, educating, persuading, demonstrating, gradually making sure progress -- for I am convinced that this is the shortest way to the objective. Any other course will merely further delay the attainment of our ultimate goal. And in the process it will cause immeasurable damage to human relationships and community well-being at home, and to the prestige of the United States abroad.

It is heartening to note the earnest efforts of an increasing number of school boards, supported by responsible citizens, to work out feasible plans to eliminate racial discrimination within the foreseeable future. In this, we can take firm hope.

All Americans view with concern the instances where local authorities have elected to close public schools rather than comply with the law of the land. Thus thousands of children have been condemned to educational stagnation. A great disservice is being done to them, to their parents, and to the nation's future.

The States and communities must find ways of effectuating that which has been determined a part of our Constitution. For education still is, and must be, primarily the responsibility of these local divisions of government.

The right of the ballot, to all who meet common requirements, is inherent in freedom. It is intolerable that any individual in the United States who meets the general eligibility test for voting in the State of his residence should be denied his right to vote because of his race or color. I have directed the Department of Justice to move forward vigorously to prevent such discrimination, wherever found. It has been hampered in this respect by its lack of authority to subpoena registration, polling and other election documents. I shall recommend that the Department be given that authority.

Real progress in the field of human rights can be made by a continuation of the Civil Rights Commission. I shall recommend that it be continued for an additional two years. During that time, the Commission can make constructive suggestions as to how local communities can best make progress in eliminating racial discrimination of all kinds.

By making steady progress toward freedom under law for all our own people, we shall be the better prepared to work for the cause of freedom under law among the nations of the world.

All peoples are sorely tired of the fear, destruction, and waste of war. As never before, the world knows the cost of war and seeks to replace force with a genuine rule of law among nations.

Here and abroad, organizations of both professional and lay character are combining to achieve this ideal.

I shall do everything in my power during the coming two years to seek ways to supplement the procedures of the United Nations and other bodies with similar objectives to the end that the rule of law may replace the rule of force in the affairs of nations.

* * * * *

And so under the banner of freedom we shall press our efforts to mobilize our resources and energies for the benefit of ourselves and all mankind. The control of disease, the peaceful exploitation of atomic and other new forms of energy, and the peaceful conquest of outer space -- all these are among our objectives.

Marxist scripture is not the gospel of the future. It is the despotic doctrine of the dead past. Tyranny and dictatorships are older than the pyramids. There is nothing new about poverty, cruelty, or oppression. What *is* new is the shining prospect that man can build a world where all can live under freedom.

We seek victory -- not over any nation or people -- but over the ancient enemies of us all: victory over ignorance, poverty, disease, and human degradation wherever it may be found.

This confronts us with our greatest challenge, and our greatest opportunity. It is a challenge that calls for sacrifice. It is full of danger, yet full of hope. If we make ourselves worthy of our highest ideals, the world will come to know that it is not the Communists, but free men who carry forward the true promise of human progress.

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CABINET PAPER—PRIVILEGED

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CP - 59-89/1

January 10, 1959

The White House

Washington

THE CABINET

The State of the Union Message

The attached approved paper, the text of the State of the Union Message as actually delivered yesterday by the President, is circulated for the information and convenience of the members of the Cabinet.

The attached text is not privileged.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

FOR RELEASE AT 12:30 P. M. (EST)   JANUARY 9, 1959

CAUTION: The following message of the President on the State of the Union, scheduled for delivery to the Congress today, January 9, 1959, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation of its contents may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary
to the President

(AS ACTUALLY DELIVERED)

THE WHITE HOUSE

Thank you very much for the warmth of your welcome.

MR. PRESIDENT, MR. SPEAKER -- TO YOU BOTH, HAPPY BIRTHDAY;
MEMBERS OF THE 86th CONGRESS, AND FRIENDS:

First, I should like to assure the delegation from our newest State Alaska, of my satisfaction that it now begins its participation with all of you in the work of the Congress for the benefit of the United States.

And may I voice the hope that before my term of Office is ended, I may have the opportunity and the great satisfaction of seeing the fiftieth Star on our National Flag.

Now, Members of Congress, this is the moment when Congress and the Executive annually begin their cooperative work to build a better America.

One basic purpose unites us: To promote strength and security, side by side with liberty and opportunity.

* * * * *

As we meet today, in the 170th year of the Republic, our Nation must continue to provide -- as indeed all other free governments have had to do throughout time -- a satisfactory answer to a question as old as history. It is: Can Government based upon liberty and the God-given rights of man, permanently endure when ceaselessly challenged by a dictatorship, hostile to our mode of life, and controlling an economic and military strength of great and growing power?

For us the answer has always been found, and is still found in the devotion, the vision, the courage and the fortitude of our people.

Moreover, we face this challenge not as a single powerful nation, but as one that has in recent decades reached a position of recognized leadership in the Free World.

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We have arrived at this position of leadership in an era of remarkable productivity and growth. It is also a time when man's power of mass destruction has reached fearful proportions.

Possession of such capabilities helps create world suspicion and tension. We, on our part, know that we seek only a just peace for all, with aggressive designs against no one. Yet we realize that there is uneasiness in the world because of a belief on the part of peoples that through arrogance, miscalculation or fear of attack, catastrophic war could be launched. Keeping the peace in today's world more than ever calls for the utmost in the nation's resolution, wisdom, steadiness and unremitting effort.

We cannot build peace through desire alone. Moreover, we have learned the bitter lesson that international agreements, historically considered by us as sacred, are regarded in Communist doctrine and in practice to be mere scraps of paper. The most recent proof of their disdain of international obligations, solemnly undertaken, is their announced intention to abandon their responsibilities respecting Berlin.

As a consequence of these actions, we can have no confidence in any treaty to which Communists are a party except where such a treaty provides within itself for self-enforcing mechanisms. Indeed, the demonstrated disregard of the Communists of their own pledges is one of the greatest obstacles to world success in substituting the Rule of Law for rule by force.

Yet step by step we must strengthen the institutions of peace -- a peace that rests upon justice -- a peace that depends upon a deep knowledge and clear understanding by all peoples -- including our own -- of the causes and consequences of possible failure in this great purpose.

I.

To achieve this peace we seek to prevent war at any place and in any dimension. If, despite our best efforts, a local dispute should flare into armed hostilities, the next problem would be to keep the conflict from spreading, and so compromising freedom. In support of these objectives we maintain forces of great power and flexibility.

Our formidable air striking forces are a powerful deterrent to general war. Large and growing portions of these units can depart from their bases in a matter of minutes.

Similar forces are included in our naval fleets.

Ground and other tactical formations can move with swiftness and precision, when requested by friendly and responsible governments, to help curb threatened aggression. The stabilizing influence of this capacity has been dramatically demonstrated more than once over the past year.

Our military and related scientific progress has been highly gratifying.

Great strides have been made in the development of ballistic missiles. Intermediate range missiles are now being deployed in operational units. The Atlas intercontinental ballistic missile program has been marked by rapid development as evidenced by recent successful tests. Missile training units have been established and launching sites are far along in construction.

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New aircraft that fly at twice the speed of sound are entering our squadrons.

We have successfully placed five satellites in orbit, which have gathered information of scientific importance never before available. Our latest satellite illustrates our steady advance in rocketry and foreshadows new developments in world-wide communications.

Warning systems constantly improve.

Our atomic submarines have shattered endurance records and made historic voyages under the North Polar Sea.

A major segment of our national scientific and engineering community is working intensively to achieve new and greater developments. But we must remember, advance in military technology requires adequate financing, of course. But even more, it requires talent and time.

Now, all this I give only as a matter of history; as a record of our progress in space and ballistic missile fields in no more than four years of intensive effort. At the same time we clearly recognize that some of the recent Soviet accomplishments in this particular technology are indeed brilliant.

Under the law enacted last year the Department of Defense is being reorganized to give the Secretary of Defense full authority over the military establishment. Greater efficiency., more cohesive effort and speedier reaction to emergencies are among the many advantages we are already noting from these changes.

Now these few highlights point up our steady military gains. We are rightfully gratified by the achievements they represent. But we must remember that these imposing armaments are purchased at great cost.

National Security programs account for nearly sixty percent of the entire Federal budget for this coming fiscal year.

Modern weapons are exceedingly expensive.

The overall cost of introducing ATLAS into our armed forces will average $35 million per missile on the firing line.

This year we are investing an aggregate of close to $7 billion in missile programs alone.

Other billions go for research, development, test and evaluation of new weapons systems.

Our latest atomic submarines will cost $50 millions each, while some special types will cost three times as much.

We are now ordering fighter aircraft which are priced at fifty times as much as the fighters of World War II.

We are buying certain bombers that cost their weight in gold exactly.

These sums are tremendous, even when compared with the marvelous resiliency and the capacity of our economy.

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Such expenditures demand both balance and perspective in our planning for defense. At every turn, we must weigh, judge and select. Needless duplication of weapons and forces must be avoided.

We must guard against feverish building of vast armaments to meet glibly predicted moments of so-called "maximum peril." The threat we face is not sporadic or dated: It is continuous. Hence we must not be swayed in our calculations either by groundless fear or by complacency. We must avoid extremes, for vacillation between extremes is inefficient, costly, and destructive of morale. In these days of unceasing technological advance, we must plan our defense expenditures systematically and with care, fully recognizing that obsolescence compels the never-ending replacement of older weapons with new ones.

The defense budget for the coming year has been planned on the basis of these principles and considerations. Over these many months I have personally participated in its development.

The aim is a sensible posture of defense. The secondary aim is increased efficiency and avoidance of waste. Both are achieved by this budgetary plan.

Working by these guide lines I believe with all my heart that America can be as sure of the strength and efficiency of her armed forces as she is and always will be of their loyalty. I am equally sure that the nation will thus avoid useless expenditures which, in the name of security, might tend to undermine the economy and, therefore, the nation's safety.

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Our own vast strength is only a part of that required for dependable security. Because of this we have joined with nearly 50 other nations in collective security arrangements. In these common undertakings each nation is expected to contribute what it can in sharing the heavy load. Each supplies part of a strategic deployment to protect the forward boundaries of freedom.

Constantly we seek new ways to make more effective our contribution to this system of collective security. Recently I have asked a Committee of eminent Americans of both parties to re-appraise our military assistance programs and the relative emphasis which should be placed on military and economic aid.

I am hopeful that preliminary recommendations of this Committee will be available in time to assist in shaping the Mutual Security program for the coming fiscal year.

Any survey of the free world's defense structure cannot fail to impart a feeling of regret that so much of our effort and resources must be devoted to armaments. At Geneva and elsewhere we continue to seek technical and other agreements that may help to open up, with some promise, the issues of international disarmament. America will never give up the hope that eventually all nations can, with mutual confidence, drastically reduce these non-productive expenditures.

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II.

The material foundation of our national safety is a strong and expanding economy. This we have - and this we must maintain. Only with such an economy can we be secure and simultaneously provide for the well-being of our people.

A year ago the nation was experiencing a decline in employment and in output. Today that recession is fading into history, and this without gigantic, hastily-improvised public works projects or untimely tax reductions. A healthy and vigorous recovery has been under way since last May. New homes are being built at the highest rate in several years. Retail sales are at peak levels. Personal income is at an all-time high.

The marked forward thrust of our economy reaffirms our confidence in competitive enterprise. But - clearly - wisdom and prudence in both the public and private sectors of the economy are always necessary.

The outlook is this: 1960 commitments for our armed forces, The Atomic Energy Commission and Mutual Security exceed 47 billion dollars. In the foreseeable future they are not likely to be significantly lower. With an annual population increase of three million, other governmental costs are bound to mount.

After we have provided wisely for our military strength, we must judge how to allocate our remaining government resources most effectively to promote our well-being and our economic growth.

Federal programs that will benefit all citizens are moving forward.

Next year we will be spending increased amounts on health programs;

on Federal assistance to science and education;

on the development of the nation's water resources;

on the renewal of urban areas;

and on our vast system of Federal-aid highways.

Each of these additional outlays is being made necessary by the surging growth of America.

Let me illustrate. Responsive to this growth, Federal grants and long term loans to assist 14 major types of capital improvements in our cities will total over 2 billion dollars in 1960 -- and this figure will double the expenditure of two years ago. The major responsibility for development in these fields rests in the localities, even though the Federal government will continue to do its proper part in meeting the genuine needs of a burgeoning population.

But the progress of our economy can more than match the growth of our needs. We need only to act wisely and confidently.

Here, I hope you will permit me to digress long enough to express something that has been much on my mind.

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As I said at the beginning, the basic question facing us today is more than survival -- that is, the military defense of national life and territory. It is the preservation of a way of life.

We must meet the world challenge and at the same time permit no stagnation in America. Stagnation we cannot afford.

Unless we progress, we regress.

We can successfully sustain security and remain true to our heritage of freedom if we clearly visualize the tasks ahead and set out to perform them with resolution and vigor. We must first define these tasks and then understand what we must do to accomplish them.

If progress is to be steady we must have long term guides extending far ahead, certainly five, possibly even ten years. They must reflect the knowledge that before the end of five years we will have a population of more than 190 million people. They must be goals that stand high, and so inspire every citizen to climb always toward mounting levels of moral, intellectual and material strength. Every advance toward them, then, cannot fail to stir pride in individual and national achievements.

Now, to define these goals, I intend to mobilize help from every available source.

We need more than politically ordained national objectives if we are to challenge the best efforts of free men and women. A group of selfless, able and devoted individuals, outside of government, could effectively participate in making the necessary appraisal of the potentials of our future. The result would be the establishment of national goals that would not only spur us on to our finest efforts, but would meet the stern test of practicality.

The Committee I plan will comprise educators and representatives of labor, management, finance, the professions, agriculture, and every other kind of useful activity.

Such a study would update and supplement, in the light of continuous changes in our society and its economy, the monumental work of the Committee on Recent Social Trends which was appointed in 1931 by President Hoover. Its report has stood the test of time and has had a beneficial influence on national development. The new Committee would be concerned, among other things, with the acceleration of our economy's growth, and the living standards of our people, their health and education, their better assurance of life and liberty and their greater opportunities. It would also be concerned with methods to meet such goals and what levels of government--Local, State, or Federal -- might or should be particularly concerned.

As one example, consider our schools, operated under the authority of local communities and States. In their capacity and in their quality they conform to no recognizable standards. In some places facilities are ample, in others meager. Pay of teachers ranges between wide limits, from the adequate to the shameful. As would be expected, quality of teaching varies just as widely. But to our teachers we commit the most valuable possession of the nation and of the family -- our children.

We must have teachers of competence. To obtain and hold them we need standards. We need a National Goal. And once established I am certain that public opinion would compel steady progress toward its accomplishment.

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Such studies would be helpful, I believe, to government at all levels and to all individuals. The goals so established could help us see our current problems in perspective. And they would spur progress.

We do not forget, of course, that our nation's progress and fiscal integrity are interdependent and inseparable. We can afford everything we clearly need, but we cannot afford one cent of waste. We must examine every item of governmental expense critically. To do otherwise would betray our nation's future. Thrift is one of the characteristics that has made this nation great. Why should we ignore it now?

We must avoid any contribution to inflationary processes, which could disrupt sound growth in our economy.

Prices have displayed a welcome stability in recent months and, if we are wise and resolute, we will not tolerate inflation in the years to come. But history makes clear the risks inherent in any failure to deal firmly with the basic causes of inflation. Two of the most important of these are the wage-price spiral and continued deficit financing.

Inflation would reduce job opportunities, price us out of world markets, shrink the value of savings and penalize thrift so essential to finance a growing economy.

Inflation is not a Robin Hood, taking from the rich to give to the poor. Rather, it deals most cruelly with those who can least protect themselves. It strikes hardest at those millions of our citizens whose incomes do not quickly rise with the cost of living. And when prices soar, the pensioner and the widow see their security undermined, the man of thrift sees his savings melt away; the white collar worker, the minister, and the teacher see their standards of living dragged down.

Inflation can be prevented. But this demands statesmanship on the part of business and labor leaders and of government at all levels.

We must encourage the self-discipline, the restraint necessary to curb the wage-price spiral, and accept only in critical emergency. We must meet current costs from current revenue.

To minimize the danger of future soaring prices and to keep our economy sound and expanding, I shall present to the Congress certain proposals.

First, I shall submit a balanced budget for the next year, a year that is expected to be the most prosperous of our entire history today. It is a realistic budget with wholly attainable objectives.

If we cannot live within our means during such a time of rising prosperity, the hope for fiscal integrity will fade. If we persist in living beyond our means, we make it difficult indeed for every family in our land to balance its own household budget. But to live within our means would be a tangible demonstration -- to ourselves and to others -- of the self-discipline needed to assure a stable dollar.

Now the Constitution entrusts the Executive with many functions, but the Congress -- the Congress alone -- has the power of the purse. Ultimately upon the Congress rests responsibility for determining the scope and amount of Federal spending.

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But by working together, the Congress and the Executive can keep a balance between income and outgo. If this is done there is real hope that we can look forward to a time in the foreseeable future when needed tax reforms can be accomplished.

In this hope, I am requesting the Secretary of the Treasury to prepare appropriate proposals for revising, at the proper time, our tax structure, to remove inequities and to enhance incentives for all Americans to work, to save, and to invest. Such recommendations will be made as quickly as our fiscal condition permits. And these prospects will be brightened, I assure you, if 1960 expenditures do not exceed the levels recommended.

Second, I shall recommend to the Congress that the Chief Executive be given the responsibility either to approve or to veto specific items in appropriations and authorization bills. I assure you, gentlemen, that I know that this recommendation has been made time and again by every President that has appeared in this hall for many years. But I say this: It's still one of the most important corrections that could be made in our annual expenditure programs, because this would save tax dollars.

Third, to reduce Federal operations in an area where private enterprise can do the job, I shall recommend legislation for greater flexibility in extending Federal credit, and in improving the procedures under which private credits are insured or guaranteed. Present practices have needlessly added large sums to Federal expenditures.

Fourth, action is required to make more effective use of the large Federal expenditures for agriculture and to achieve greater fiscal control in this area.

Outlays of the Department of Agriculture for the current fiscal year for the support of farm prices on a very few farm products will exceed five billion dollars. This is a sum equal to approximately two-fifths of the net income of all farm operators in the United States.

By the end of this fiscal year it is estimated that there will be in Government hands surplus farm products worth about nine billion dollars. And by July 1, 1959, Government expenditures for storage, interest, and handling of its agricultural inventory will reach a rate of one billion dollars a year.

This level of expenditure for farm products could be made willingly for a temporary period if it were leading to a sound solution of the problem. Unfortunately this is not true. We need new legislation.

In the past I have sent messages to the Congress requesting greater freedom for our farmers to manage their own farms and greater freedom for markets to reflect the wishes of producers and consumers. Legislative changes that followed were appropriate in direction but did not go far enough.

The situation calls for prompt and forthright action. Recommendation for action will be contained in a message to be transmitted to the Congress shortly.

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Now, these fiscal and related actions will help create an environment of price stability for economic growth. However, certain additional measures are needed.

I shall ask Congress to amend the Employment Act of 1946 to make it clear that Government intends to use all appropriate means to protect the buying power of the dollar.

I am establishing a continuing Cabinet group on Price Stability for Economic Growth to study governmental and private policies affecting costs, prices, and economic growth. It will strive also to build a better public understanding of the conditions necessary for maintaining growth and price stability.

Studies are being undertaken to improve our information on prices, wages, and productivity.

I believe all citizens in all walks of life will support this program of action to accelerate economic growth and promote price stability.

III.

I take up next certain aspects of our international situation and our progress in strengthening it.

America's security can be assured only within a world community of strong, stable, independent nations, in which the concepts of freedom, justice and human dignity can flourish.

There can be no such thing as Fortress America. If ever we were reduced to the isolation implied by that term, we would occupy a prison, not a fortress. The question whether we can afford to help other nations that want to defend their freedom but cannot fully do so from their own means, has only one answer: we can and we must, we have been doing since 1947.

Our foreign policy has long been dedicated to building a permanent and just peace.

During the past six years our free world security arrangements have been bolstered and the bonds of freedom more closely knit. Our friends in Western Europe are experiencing new internal vitality, and are increasingly more able to resist external threats.

Over the years the world has come to understand clearly that it is our firm policy not to countenance aggression. In Lebanon, Taiwan, and Berlin -- our stand has been clear, right, and expressive of the determined will of a united people.

Acting with other free nations we have the solemn obligation to defend the people of free Berlin against any effort to destroy their freedom. In the meantime we shall constantly seek meaningful agreements to settle this and other problems, knowing full well that not only the integrity of a single city, but the hope of all free peoples is at stake.

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We need, likewise, to continue helping to build the economic base so essential to the Free World's stability and strength.

The International Monetary Fund and the World Bank have both fully proven their worth as instruments of international financial cooperation. Their Executive Directors have recommended an increase in each member's subscription. I am requesting the Congress for immediate approval of our share of these increases.

We are now negotiating with representatives of the twenty Latin American Republics for the creation of an inter-American financial institution. Its purpose would be to join all the American Republics in a common institution which would promote and finance development in Latin America. One great result of this would be to make more effective the use of capital from the World Bank, the Export-Import Bank, and private sources.

Private enterprise continues to make major contributions to economic development in all parts of the world. But we have not yet marshalled the full potential of American business for this task, particularly in countries which have recently attained their independence. I shall present to this Congress a program designed to encourage greater participation by private enterprise in economic development abroad.

Further, all of us know that to advance the cause of freedom we must do much more than help build sound economies. The spiritual, intellectual, and physical strength of people throughout the world will in the last analysis determine their willingness and their ability to resist Communism.

To give a single illustration of our many efforts in these fields: We have been a participant in the effort that has been made over the past few years against one of the great scourges of mankind -- disease. Through the Mutual Security program public health officials are being trained by American universities to serve in less developed countries. We are engaged in intensive malaria eradication projects in many parts of the world. In this work, America's major successes in our own country prove the feasibility of success everywhere.

By these and other means we shall continue and expand our campaign against the afflictions that now bring needless suffering and death to so many of the world's people. We wish to be part of a great shared effort toward the triumph of health.

IV.

I think most of us would agree America is best described by one word, freedom.

If we hope to strengthen freedom in the world we must be ever mindful of how our conduct reacts elsewhere. No nation has ever been so floodlighted by world opinion as the United States is today. Everything we do is carefully scrutinized by other peoples throughout the world. The bad is seen along with the good.

Because we are human we err. But as free men we are also responsible for correcting the errors and imperfections of our ways.

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Last January I made comprehensive recommendations to the Congress for legislation in the labor-management field. To my disappointment, Congress failed to act. The McClellan Committee disclosures of corruption, racketeering, and abuse of trust and power in labor-management affairs have aroused America and amazed other peoples. Those discussions emphasize the need for improved local law enforcement and the enactment of effective Federal legislation to protect the public interest and to insure the rights and economic freedoms of millions of American workers. Halfhearted measures will not do. I shall recommend prompt enactment of legislation designed:

To safeguard workers' funds in union treasuries against misuse of any kind whatsoever.

To protect the rights and freedoms of individual union members, including the basic right to free and secret elections of officers.

To advance true and responsible collective bargaining.

To protect the public and innocent third parties from unfair and coercive practices such as boycotting and blackmail picketing.

The workers and the public must have these vital protections.

In other areas of human rights -- freedom from discrimination in voting, in public education, in access to jobs, and in other respects -- the world is likewise watching our conduct.

The image of America abroad is not improved when school children, through closing some of our schools through no fault of their own, are deprived of their opportunity for an education.

The government of a free people has no purpose more noble than to work for the maximum realization of equality of opportunity under the law. That is the concept under which our founding papers were written. This is not the sole responsibility of any one branch of our government. The judicial arm, which has the ultimate authority for interpreting the Constitution, has held that certain state laws and practices discriminate upon racial grounds and are unconstitutional. Whenever the supremacy of the Constitution of the United States is challenged I shall continue to take every proper action necessary to uphold it.

One of the fundamental concepts of our constitutional system is that it guarantees to every individual, regardless of race, religion, or national origin, the equal protection of the laws. Thus, those of us who are privileged to hold public office have a solemn obligation to make meaningful this inspiring objective. We can fulfill that obligation by our leadership in teaching, persuading, demonstrating, and in enforcing the law.

We are making noticeable progress in the field of civil rights -- we are moving forward toward achievement of equality of opportunity for all people everywhere in the United States. In the interest of the nation and of each of its citizens, that progress must continue.

Legislative proposals of the Administration in this field will be submitted to the Congress early in the session. All of us, I believe, should help to make clear that the government is united in the common purpose of giving support to the law and the decisions of the Courts.

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Finally, by moving steadily toward the goal of greater freedom under law, for our own people, we shall be the better prepared to work for the cause of freedom under law throughout the world.

All peoples are sorely tired of the fear, and the destruction, and the waste of war. As never before, the world knows the human and material costs of war and seeks to replace force with a genuine rule of law among nations.

It is my purpose to intensify efforts during the coming two years in seeking ways to supplement the procedures of the United Nations and other bodies with similar objectives, to the end that the rule of law may replace the rule of force in the affairs of nations. Measures toward this end will be proposed later, including a re-examination of our own relation to the International Court of Justice.

And lastly -- let us remind ourselves that Marxist scripture is not new; this is not the gospel of the future. Its basic objective is dictatorship, old as history. What is new is the shining prospect that man can build a world where all can live in dignity.

We seek victory -- not over any nation or people -- but over the ancient enemies of us all; victory over ignorance, poverty, disease, and human degradation wherever they may be found.

We march in the noblest of causes -- human freedom.

If we make ourselves worthy of America's ideals, if we do not forget that our nation was founded on the premise that all men are creatures of God's making, the world will come to know that it is free men who carry forward the true promise of human progress and dignity.

Thank you very much.

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RA - 59 -124

February 2, 1959

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 16, 1959:

1. Preview of the 1960 Budget — /"The Federal Budget in Brief"/

Information Item Only

2-A Initiation of Preparations for Tariff Negotiations

ACTION:

The President asked that each Department affected by the coming international tariff negotiations begin, under the guidance of the Department of State, the thorough interdepartmental consultations which will be necessary prior to those negotiations, and to continue to give these consultations high priority and full attention.

2-B Executive-Congressional Consultation

ACTION:

The President asked that each member of the Cabinet, except the Secretaries of State and Defense:

a. Be prepared to receive invitations from Mr. Halleck to a dinner for the Republican Policy Committee, on which occasion each Cabinet member would be expected to give a five-minute talk on problems and plans in his own area, and answer questions;

b. Reciprocate by being hosts at similar functions for the Republican members on the committees with which his department does business -- and to use these occasions for consultation on legislative matters;

c. Seek to maintain continuing social relationships with the Republican members of these committees, not limiting such contacts to those times when some specific action is desired.

3. Report from the Fourth Meeting of the Canada-United States Cabinet Committee on Economic Affairs

   Information Item Only

4. Proposals with Respect to School Construction — /Written statement by Secretary Flemming/

ACTION:

a. The President concluded that the Administration should this year propose an appropriate program in this area.

b. The Secretary of Health, Education, and Welfare is to consult informally with the Republican leaders in both the House and Senate regarding a program of partnership with the States in aid to school construction in cases of need.

c. The Secretary of Health, Education, and Welfare will then present the proposals for this program at the next Republican Leaders' meeting.

Robert Gray
Secretary to the Cabinet

Approved by the President:

February 2, 1959.

THE WHITE HOUSE
WASHINGTON

January 15, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reminder to the Cabinet on Executive-Legislative Consultations

As a result of the discussion at Leaders' meeting last Tuesday, we understand you wish to remind the Cabinet

1. That (except for Dulles and McElroy), they should be prepared to receive invitations from Mr. Halleck to a dinner for the Republican Policy Committee. At this occasion each Cabinet Member would be expected to give a five-minute talk on problems and plans in his own area, and answer questions.

2. That each Cabinet Member should reciprocate by hosting breakfasts or luncheons or dinners for the Republican members on the committees with which his department does business -- and use these occasions for consultation on the legislative matters.

3. To the extent feasible, Cabinet Members should seek to maintain continuing social relationships with Republican Members of the committees with which their departments do business and not limit their contacts to those times when they want something.

Bob
Robert Gray

EXCERPT OF CABINET DISCUSSION - January 16, 1959

The President: Arthur Flemming is considering a bill to service the debt on school construction. It would have no effect on the 1960 budget. This is somewhat of a new principle here, I have somewhat of an instinctive belief that the more we can keep our hands out of the construction business in the schools.... because I personally believe there has been a trend toward federal dependency and we cannot get away from it. But we must consider what the United States wants and what a few of us still believe. It is a hard decision. If we put in something of a spending nature, the question is: does this give us a better position, or would it be better to say "Not this year". I am not thinking, today, about the amount of money, but about the principle of the thing. It still shocks me. This of course may be just peanuts compared to the Murray-McKinley Bill which throws billions around. Now, having put you in that much of a halter, and having put that much of a noose around your neck, go ahead Arthur.

Secretary Flemming: (Reads statement attached)

The President: Suppose we do all this, and in the ten years afterwards, with the growing population there would be a continuing and bigger need. You would have to repeat the program, and rather than getting anything back from the public, we would have to start it again as a so-called "emergency" program. And we did not propose school construction last year...

Secretary Flemming: No; we said national defense had to come first.

The President: I admit that good education is a necessity for the nation; everybody from Jefferson on made this point. But I just feel that we are..... Who is paying for this -- the districts?

Secretary Flemming: At the end of five years, it is true that there will stillbe needy schooldistricts stillrequiring help. I know of a poor school district. IBM came in and built a plant; now that school district is fairly prosperous. Under this plan, the minute something like that happened, this district would be out of the plan or, if it was after twenty years, it would have to repay.

The President: You are saying: if a school district in the United States is incapable of buying all the facilities that that particular district needs, then it becomes the federal government's responsibility; we are going to do this forever.

Secretary Flemming: The State would put up one-half until the district government puts up enough to carry the loan.

Secretary Strauss: How does a school board commit itself or its successors to a ten-year period beyond the period of a bond issue?

Secretary Flemming: School boards commit themselves to bond issues for 20-25 years.

Secretary Strauss: Yes, but what about the ten-year period *after* that?

Secretary Flemming: I do not think there is a *legal* obstacle here.

The President: I think we should drop that feature -- we are trying to get back money which we would never get.

Secretary Anderson: Frankly, any program here should be one which would least interfere with our re-financing. We are going into the poorest school districts in the country; these districts will be able to advertise, when they put up their bonds, that these bonds are fully guaranteed by the Federal Government. The best bond I can sell to finance our debt will not exceed 4.25% -- on which the full tax is paid. These school bonds will be tax-exempt and will have an interest of 5.7% or so. What would be the investors' choice? We in the Treasury have tried not to create securities with which we know we cannot compete.

Second point: if this is a good way to finance schools, this principle will be applied soon to *other* programs: urban renewal, port construction, waste treatment plants, etc. These features could apply to *public* institutions, e.g. state universities, and we are thereby applying this help to institutions which already *have* the power of taxation.

Third point: suppose Congress likes this so much -- likes the principle -- that they double the amount. Then we have the problem of vetoing a good principle. Or suppose Congress says "we will increase it only 25%" -- the same problem.

Fourth point: So many institutions used to have their portfolios in government bonds. But today, these ratios are getting lower and lower, and we are having trouble in selling government bonds.

My main problem is: how do we manage a debt of this size and still meet these needs? I cannot figure out how to do it.

Secretary Flemming: I realize that movement in this direction will create some kind of fiscal problems, but these principles will create fewer problems than the ones we originally had.

Secretary Anderson: This is true.

Secretary Seaton: What about the school districts not classified as "needy"?

Secretary Anderson: They would have to raise their interest rates to match the guarant bonds.

Secretary Seaton: This would increase *their* school construction costs.

Secretary Benson: We do not have any poor states today, as we once did. I think we should leave it in their hands. We have to get money from the states anyway, in taxes, and send it back to them. I feel there is a tendency for the Federa Government to have to put in a larger and larger share of the cost -- this has been our experience in the past. I do not think the taxpayers feel that the Federal Government should get into this field.

Is there not some other way to stimulate the effort needed without the Federal Government's getting into it financially? Through proper studies, foundations, factual research? But I cannot see an end to it if we get into it; I think we would live to regret it.

Secretary McElroy: I was very deep in this education problem some years ago, and we tried to judge the capability of the states to carry this load. There is a difference between the elementary and secondary, and higher educational institutions. Re the former: there were only four states which could be considered as having a financial inability to support a fully adequate educational program in their communities - and this was several years ago. I think it is less today. Say that it is no more than four. If there is a will to do this, the States could do it. The real concern I had at that time was that a moderate program of school construction was such a good thing for the states that you would lose more by decreasing the pressure on the states to do it themselves than you would gain in classrooms from the federal program. There is a dilution of the State and local resolve to do it. I would doubt whether this would provide a net increase in school classroom construction.

Also, while there has not been a complete recovery to take care of the increased pppulation, there has been a narrowing of the gap within the last three or four years. If that is a fact, this gives us a basis on which we can judge their position about advocating school construction several years ago but not doing so now.

Re higher educational institutions - I have a different feeling. Private educational institutions cannot do what is expected; either we give ~~help~~ some help to the private institutions, or else the country will move almost entirely to state or municipal institutions, and I think we should maintain a reasonable percentage of private institutions.

The President: There are few states which do not have State universities. If a person elects to go to private institutions, he should pay his way.

Secretary Flemming: One of the facts which concerns us as we deal with this is that the White House Conference on Education did recommend federal aid to school construction. There has been some narrowing of the gap: In the Fall of 1957 it was 143,300, and in 1958 it was 140,500 classrooms. This decrease is very slight. By now there is a doubling of the debt on the part of local schooldistricts. As we project this situation in the light of increasing enrolment, that increase is such that even if we provide these school districts with help, the gap will not close. I do not think we can play fast and loose with our human resources in that way.

Secretary McElroy: The State of Ohio has plenty of money.

Secretary Flemming: Unless we do something now, these 2,000,000 children will be deprived of adequate facilities.

The President: Then we come back to the philosophy that we should take over the functions of education. If you are dealing with the states, why don't they do their job? They claim "states rights" , but what about states' responsibilities?

Secretary Flemming: We are dealing with the states.

The President: But only 1/2; we give the other half.

Secretary Flemming: If we do it, we will provide a solution to the problem; otherwise we will be faced with this basic need.

The President: Whether we should take education as a national function, or keep the philosophy that the Federal Government should deal with the states not with the cities and counties... Why don't we advise the states which can do the job. Mississippi used to be the state which was the worst --then someone told me that Mississippi had a bulging Treasury and a very low debt.

With states, this is one thing; but when you go into districts and set up standards on that level -- this is a bad thing.

The Vice President: All of us have a view as to whether there is a need; I happen to think there is a need in terms of classrooms and that likely there is not going to be a solution without some kind of program. Others disagree. What people generally want, I think, is that the ultimate majority of people will say "There is a need." Nothing hits people more directly than their kids in school. We cannot win on this issue by saying "There is no need" or that "The need will soon be met by closing the gap."

Now, if there is a need admitted, what can we offer? What can be done about it? If you remember when you were up at Columbia it was said that grants should be made to the states which are needy. We have gone down that road. Taft came out with $5.00 per student, etc. We have gone down that road...

Now we come up: do we make the argument that we are not submitting a program this year? If so, why?

We can say "There is a need and a program should be adopted it, but we cannot afford it." This will be indefensible.

We can say:"There is a need but because of principle, a program should not be adopted." This is what most of us are talking about. If we are going to say that the Federal Government should not get into this, this is the philosophical point which takes some discussion. The Republican leaders probably believe that this is the issue to be fought out.

From the standpoint of the country, people feel that government should get into this kind of program --and of course people do not distinguish between State and Federal "government."

We cannot oppose it on grounds of budget.

The President: No.

The Vice President (continuing): We must debate it on the ground of *principle*: The states *should* do it. Then, what program do we have to *get* the states to do it? Some states simply do not *do* a good job of education. Take Iowa, a fairly rich state. We can say that "the states should do it" until we are blue in the face, but from a practical standpoint, we cannot expect states to do all they should do. Thi

This brings us to Arthur Flemming's program - and I would not like to see it go to states which are not needy states. Of all the plans I have seen, this hurts the least, and seems to offer some reasonable approach to a problem which somebody is going to do something about. We say either "We are going to lick them" or "We are going to have a program of our own." From the standpoint of "licking them", I do not think we are going to get very far.

The President: You remember that meeting some time ago -- the need for education in New York -- but the majority did *not* want Federal aid. If we do this thing for the states, and then not give the rich states anything, all my arguments against this stand right there. But Senator Taft said we have got to help the poor states, but we must give every student *everywhere* $5.00.

Secretary Flemming: Remember: the distribution would depend on school population *and per capita income*. This would decrease the percentage to the rich states.

The President: You know what this argument is really about: the average person has been told that the rich people pay income taxes, and this goes to the Federal Government -- but they do not want to have their property, etc taxes raised, because this hits them directly. They do not realize that the income tax is paid by people of very moderate income. You take the state that is behind the standards, *is not* able to do this thing as it should,-- then I am ready to talk business on that.

The Vice President: I am thinking of your position at press conferences after this issue starts to boil. You could say "budget", but this is indefensible. You could say "We do have a program of assisting science education" and this is probably a good argument. But we *did* advance a school construction program for three years.

The President: I was dragged into supporting that before...

The Vice President: It will be tough to oppose this on principle.

Secretary Flemming: Remember: this is completely consistent with the plan we established when Mrs. Hobby was Secretary.

The President: The NEA didn't like it.

Secretary Flemming: I shall have to argue with them; they will want more.

The President: We ought to say: this is not a Party thing. If we are going to make this a Party item we are going to split wide open the little group we *have* in the House and Senate.

I told Charlie Halleck that I would be glad to have Arthur Flemming talk to every Republican there. He is sure that you will split half of them in the middle. We should not make this a Party issue.

Ambassador Lodge: The crux of this is: will the states do what they should do? Like Mississippi. In Senator Taft's tabulation, Massachusetts was a rich state and Texas was poor. What we need is a merciless, pitiless study of the extent to which the states will do their job. No one has done it; no one has the guts to do it. That is the thing we should know.

As an ex-state official, the argument is that the Federal Government takes the income tax from the individual; at the moment the Federal income tax started we prevented the states from getting their hands effectively on this great source of tax money -- and at that moment we took on responsibility for this kind of programs.

The President: Arthur Flemming feels he canot very well keep this at the level of the States. I am not so much impressed with this. I agree with Ambassador Lodge, we must know more about the need on the basis of the states. It is not the federal function to deal with the little public subdivisions --it is the states with which we must deal. That is what the Constitution says. On urban renewal matters, etc, mayors come in to me and I say "Talk to the state."

Secretary Benson: The whole thing is a matter of human judgement; it is hard to say that the Federal Government can afford this and that the states cannot -- with the debt which the Federal Government has. What about some kind of poll?

Ambassador Lodge: It depends on how you write the questions!

Secretary Benson: Too large a portion of our taxes come from income taxes.

Secretary Anderson: And from the corporation taxes.

Secretary Benson: This makes it worse.

Secretary Mitchell: When you talk of need and of the present capability -- and I am talking about the need of children for education -- we must project that need into the 1960's and 70's. Even if the ratio of school construction continued at the high rate now, your elementary and secondary school capacity is going to be very short of the school population of the 60's. The gap today, if closed, will be opened again then.

The President: That is what I asked.

Secretary Mitchell: This gap is not a temporary thing.

The President: Yes - the argument is that we have fallen behind because of the two wars. Many people say that if the states and localities caught up, they could keep up. But I agree with Neil McElroy - a federal program would dilute state incentive.

Secretary Mitchell: There is another point I want to make: I feel, as Arthur Flemming does, that the Administration would be in a bad position not to have some program. We are dealing with a national resource - our human resources -- one of our most important resources, and therefore I do not think we can take the position that the

States will have to do this job. Children are a national resources and thus of concern to the Federal Government.

The President: Then you are arguing that the Federal Government should take over this function -- that is clear as a bell.

Secretary Mitchell: No - I am not. The states have an obligation; they states should do this if they can...

The President: Stop right there.

Secretary Mitchell (continuing): If the states cannot do it, the Federal Government must not close its eyes to this.

The President: I agree - but shoe me the state which cannot do the job.

Secretary Flemming: We have not a chance of getting away with a formula classifying "rich" and "poor" states. What we are proposing is a partnership between the Federal Government and the states in helping poor districts. I do not think it is "either-or" for the Federal Government -- it is "both-and" -- Federal and state being partners in helping poor districts. This plan is completely consistent with the principles in Mrs. Hobby's plan. As an administration, we have taken our stand on this question. With respect to the Vice President's comment, we cannot win by saying "There is no need" and we cannot win by reversing our stand, "on principle." The need cannot be met, and this human resource, which Secretary Mitchell mentioned, will not be developed.

The President: The problem of juvenile delinquency demonstrates another wasting resource; why should not the Federal Government go in and take over this problem?

Secretary Flemming: We do not have to "take things over" in order to be intelligent partners.

The President: In some grant programs we carry on, we started out with 50% grants; now it is 80%.

Director Stans: That is the public assistance program.

Secretary Flemming: Take the whole health, education and welfare area and chart the trend over ten years, and see state acceptance as paralleled by Federal Government acceptance of responsibilities. The states have gone right along with the Federal Government. As far as public assistance alone is concerned, your figures are right - but in the total HEW area it is not a discouraging showing; it shows we can be partners without taking over the whole load.

This is a conservative program. We can present a program of this kind. We can join issue with the opposition, presenting this instead of their $5 billion program.

Secretary Seaton: School districts which are not classified as "poor" are going to s suffer an interest penalty in order to have the bonds of the "poor" districts sold.

The President: This is in accordance with the principle: that the rich help the poor.

Secretary Seaton: But this increasesthe cost of school construction to the"rich" districts. Also: when this program goes into effect, there willbe a slowing down in the trend toward consolidation of school districts, especially in the Mid-West.

The President: Well, we will have the Powell Amendment on it, and the whole thing will get defeated.

The Postmaster General: Has our leadership on the Hill been pressing for this?

The President: They are against it. How about Dirksen?

General Persons: He is on the fence.

The Vice President: The leadership will probably be against it, but I do not think this should be controlling...

Secretary Flemming: We have many Republicans who XXXX are for it.

The President: Yes, some like Mr. Freylinghuysen.

Gov. Hoegh: Why should we bail out the Democratic governors who promised better education but at the same time promised to reduce taxes?

Secretary Flemming: I appreciate that argument, but we still have a pressing national need. All of the things which have been said have some relevancy - but they won't help us in advancing the meeting of the need.

With respect to Secretary Seaton's point, one of the ways we can meet this is that the State plan must meet certain standards; we can take care of that point in that manner.

Director Stans: I agree with the Vice President -- this will not affect the FY 1960 budget. There are, however, some indirect budgetary consequences which we should consider. We have worked on this with HEW but have not come to an agreement.

We are going to pay off the cost of a five-year program over twenty years. If we send up this kind of a bill, the sponsors of the Public Facilities Bill will say "Here is our answer - the Administration OK's the principle of paying for these things over twenty years" - and we will get that kind of bill from them right away.

The alternative is to pay for these things now, not over twenty years. But of course this would breech the budget. Now I have four new proposals on my desk which would breech the budget, and I cannot resist any of them if only one of them goes through.

Secretary Flemming: I have made no proposals for breeching the budget.

The President: If we could disassociate education from all these other so-called "uplift" programs -- juvenile delinquency, all these grants, etc -- I think we would have a much stronger case. As Maurice Stans was pointing out, we started this business of guaranteeing loans, and over the years it grows. It may be that the Treasury will have to offer 8%. Two billion dollars is not too much, but two billion dollars gives the other fellow a great deal. Then we will get air pollution and all the rest of the darned stuff.

Secretary Flemming: Take the statistics to which Mr. Stans referred: I will argue that dealing with human resources is a far more important thing than waste treatment plants, etc. I think we can draw this line.

The President: If we paid as we go, would there be a great deal of money in FY 1960?

Secretary Flemming: No - not in any one year would you pay more than $110 million ($85 million for elementary-secondary schools and $25 million for higher education)

The President: We started that in the farm program -- and now from $500 million we have gone to $5 billion.

Secretary Flemming: $110 million is the maximum on the budget.

The President: If....

Secretary Flemming: This is an arbitrary figure, but with this size figure we could deal adequately with the backlog and the gap. We have a strong justification for these figures -- the people who want more of course will look down their noses at this program.

The Postmaster General: How many states would take advantage of this?

The President: Every state would jump in.

The Postmaster Genera; : Don't we need some more study -- we talked about four states.

Secretary Flemming: All the states would take advantage of it - but this can be done only under our standards of per capita income and tax capability. I do not know of any other way of getting at this.

The Postmaster General: Detroit suffered a great deal during the recession -- now they are building the schools they need. This principle starts with the human family -- and not looking to Uncle Sam to pay for everything. We must take a stand on principle and on fact.

The President: Well, there may be a world trend toward socialism and we cannot get out of it. Perhaps we are like the armed guard with rusty armor and a broken sword, standing at the bridge and trying to stop progress...

Secretary Flemming: We should not get pessimistic from this point of view. Exclude the OASI and then take all the HEW programs. If my memory is correct, you will find that the federal participation has dropped rather than has gone up. The tendency to say otherwise is a little unfair to the states -- they are carrying the bulk of the load.

We are confronted with the facts of life - which is: a serious need in the field of human resources. If we do not move, people will be sitting around five years from now, still debating who has the responsibility - but then we will not have the human resources to meet the needs in manpower.

Secretary Benson: We said that before - a long time ago.

Secretary Flemming: No one in the manpower field does not believe that we are up against a serious emergency - and as an Administration, we have said this time and time again.

Secretary Mitchell: I have said this often.

Secretary Anderson: Are we convinced that there is no way we can require the states to do more?

Secretary Flemming: I am.

The President: Tell me -- I have never heard of it.

Secretary Flemming: That is my point - we have tried again and again. What I am trying to do is to see if we can figure out something which can be accepted - otherwise we can be licked again. Massachusetts for example will XXXXX not sit and let itself be classified as a "wealthy state" and thus ineligible for participation. We shall re-evaluate this every year. It is bad to make grants outright because this does not take account of changed conditions. This yearly re-evaluation will meet this problem.

Secretary Benson: Can not we get more incentive into the States?

Secretary Flemming: I cannot see how to do it -- except in this way.

The President: What will the other districts do?

Secretary Flemming: This may give the states a practical problem.¢

The Vice President: Most states have an equalization formula.

Secretary Seaton: What is the size of the program for impacted areas? - $180 million-- 25% of the school districts in the country?

Secretary Flemming: $130 million in operating funds and $50 million in construction.

The Vice President: Whatever the decision is ---- the majority of the leadership, or 8/10 would be against this. Within all the Republicans in Congress, you would still have 40-60 against. Generally speaking however, you will find that the people who are "for" are the ones from the closest districts. These are the ones for whom this question is a problem.

The other point I want to make is: if we do not put up a program, we must give these fellows a position they can take without going along on the $5 billion level which the opposition is putting up. There are Republicans who have a philosophical objection to a $5 billion program but who are reasonable people and want to support a reasonable program.

Secretary Flemming: That is why we need a positive program. I do not like to see these men left out in the cold without such a position.

Director Stans: You mentioned 350,000 classrooms which woul be built - for 12.5 billion dollars. That is, one out of every 4 classrooms built would be classified as being in a "needy" district. Is that your kdea of the proportion of "needy" districts?

Secretary Flemming: We determine this on the basis of what each district can do --on the basis of tax capability.

The President: You may have several schools in one district.

Director Stans: If you are financingXX one out of four or one out of five classrooms in the country...

The President: This does not mean that one district is poor.

Secretary Anderson: On all the bills submitted the Bureau of the Budget will be asked for comment. Why not send this kind of program up as a comment -- as a more desirable form of alternative, rather than send this up as a separate program?

Secretary Flemming: We should get the credit for this program; that is not the right kind of leadership. We should come out and say "This is a plan designed to meet the need."

The President: We talk about principle. Another principle is that I have worked for six solid years to diminish some of these programs, and to try to get the states to take on more. I have listened to these arguments on this for several days -- in fact I am getting almost weary.

I think that we will have to -- in our next leadership meeting -- have Arthur Flemming come in and talk about it.

We are going to put up some kind of program. Although I rather agree with some of these arguments,m just to stand and try to get people to "do their duty as they should", we have to be human and paternalistic... I do not know of anything I hate as much, but I guess we must.

Secretary Mitchell: You know there is a radio telescope being built in West Virginia. I have been asked to determine whether the construction of this radio telescope, which will receive signals from outer space, comes under the Fair Labor Standards Act as being in interstate commerce. No longer is it just "interstate" commerce - now we have to worry about commerce among the planets...

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[At the end of the meeting, the President returned to the subject of the above discussion:]

The President: Have Arthur Flemming come to the leadership meeting. In the meantime, Arthur, go talk to at least two or three of the leaders on each side [i.e. House and Senate] and tell them why you feel strongly, what the problems is, and tell them that the budget as such is not the important thing. If we can keep it within the bounds --- what is tough is the will to hew to the standards. But be honest: and tell about our experience with these other programs which have not been kept within these bounds in the past.

We have had a good growl.

THE WHITE HOUSE
WASHINGTON

January 15, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 16, 1959

Director Stans has asked that at Cabinet tomorrow he have an opportunity to present a final summary of the 1960 Budget. Since you are familiar with this whole subject, this item is being scheduled as a pre-Cabinet briefing, at 8:30. You will not be expected until 9:00.

2. Initiation of Preparations for Tariff Negotiations (The President)

You recently approved a memorandum from Acting Secretary of State Herter which pointed out that the new round of international tariff negotiations is going to be so complex and difficult that careful and time-consuming interdepartmental preparations are going to be required. You concurred with Mr. Herter's recommendation that you point this out to the Cabinet and remind the Members of the importance of starting these preparations promptly.

The memorandum from Mr. Herter, including a suggested statement which he recommends you make, is under Tab 2.

2A. Executive-Congressional Consultations (The President)

At the Leaders' Meeting Tuesday, you and Mr. Halleck discussed some suggestions with respect to closer coordination between Cabinet Members and Republicans on the Hill. It was agreed that mention would be made of this at the next Cabinet meeting.

A memorandum suggesting points you may wish to make is under Tab 3.

3. Report from the Fourth Meeting of the Canada-United States Cabinet Committee on Economic Affairs (Secretary Anderson)

Last week four Members of the Cabinet attended this meeting in Ottawa. Since they discussed matters of rather broad Cabinet interest -- both foreign and domestic -- Secretary Anderson is prepared to give you and the Cabinet a brief report on the Ottawa discussions.

4. Proposals with Respect to School Construction (Secretary Flemming)

As you requested, this item is scheduled on the agenda and Secretary Flemming will make an appropriate oral presentation.

Robert Gray

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

January 7, 1959

MEMORANDUM

The following items are ready for discussion at the January 16th meeting of the Cabinet (these seven being too much for one session, some will have to be deferred to a following meeting):

1. Economic Review of 1958 (Dr. Saulnier)

✓ Dr. Saulnier is anxious at the first Cabinet meeting in the new year, to pick out the highlights of the 1958 economic year as the backdrop for the Economic Report which will be forthcoming shortly. The text of the Report itself is not up for discussion, since by the 16th it will be all but printed. 15

2. Final Summary of the FY 1960 Budget (Mr. Stans)

X Mr. Stans has requested an opportunity to have a final discussion of the 1960 budget at the Cabinet on January 16th. This would be by way of a preview of the Budget Report, which will be given to the press on that day.

3. Cabinet Comments on the Creation of the Office of Executive Management (Secretary Flemming as Acting Chairman of PACGO)

2 3rd When this new reorganization proposal was first presented to the Cabinet on December 12th, the President asked that each member have an opportunity to examine the documentation concerning this plan and to comment on it. A summary of the proposal will, therefore, be circulated early next week to the Cabinet and Cabinet comments will be invited at the table on the 16th. 20 ?

4. **Report from the Fourth Meeting of the Canada-United States Cabinet Committee on Economic Affairs** (Secretary Anderson)

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Four Members of the Cabinet will have recently returned from the Ottawa meeting of this Committee. Since the subjects discussed at Ottawa are of such general Cabinet interest -- both domestic and foreign -- Secretary Anderson is prepared to give a brief summary of the agreements reached by the bi-national Cabinet Committee.

5. **The Agricultural Program for 1959 -- Draft Special Message of the President** (Secretary Benson)

X

Working with Secretary Benson and Mr. Paarlberg, we have set aside a portion of this meeting for discussion of this major legislative program item. Since it has been determined that the President will send a special message on agriculture to the Congress, the proposed text of this message plus a presentation by Secretary Benson will form the basis for the Cabinet discussion.

6. **Initiation of Preparations for Tariff Negotiations** (The President)

Acting Secretary of State Herter has recommended that the President make a short statement at the next Cabinet meeting on the importance of "immediate initiation of ... and diligent attention to" the complex interdepartmental discussions which must start immediately in order to prepare this country for the General Agreement on Tariffs and Trade negotiations in 1961. The President has agreed to do this and has a draft statement prepared by State, ready to use.

5

7. **The Probelms of Metropolitan Areas and the Need for Comprehensive Planning at State and Local Levels** (General Bragdon)

On December 13th the President asked General Bragdon to prepare a presentation to the Cabinet on the above subject. General Bragdon is now ready with this presentation and wishes to set it forth at an early date.

8. Public Advisory Committees

On two occasions last May the Justice Department prepared a draft of a Cabinet paper which would establish, by Executive action, standards and procedures for the utilization of Public Advisory Committees by Government departments and agencies. Justice contends that some of the Government's Public Advisory Committees are not hewing to the proper standards and that the Executive Branch could be greatly embarrassed by this. The Commerce Department objected to the drafts of the Justice paper and the subject was deferred. On August 27 Senator McClellan wrote Director Stans, referred to the bill which was pending before his Committee -- a bill which would put severe statutory restrictions on Public Advisory Committees -- and inquired what Executive action, if any, we were taking as an alternative to this bill.

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Secretary Strauss now proposes a new draft Cabinet paper on this subject and asks for earliest Cabinet consideration.

Robert Gray

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

January 5, 1959

MEMORANDUM FOR

MR. ROBERT GRAY

The President approved the proposal of the State Department that he mention at an early meeting of the Cabinet the need to initiate preparations for a new round of tariff negotiations beginning in mid-1960.

I attach a copy of the memorandum for your use.

A copy has also gone to Dr. Paarlberg, who will keep an eye on the progress of the project.

A. J. Goodpaster
Brigadier General, USA

Bob informed by phone 1/6/59

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DEPARTMENT OF STATE
WASHINGTON

December 29, 1958

MEMORANDUM FOR THE PRESIDENT

Subject: Initiation of Preparations for Tariff Negotiations

At the recent 13th Session of the Contracting Parties to the General Agreement on Tariffs and Trade, the United States proposed that the Contracting Parties sponsor a new round of tariff negotiations beginning in mid-1960. In making this proposal the United States Delegation pointed out that negotiations beginning in mid-1960 would fit in with the need for the six member countries of the European Economic Community to adjust their existing tariff concessions before taking their first step on January 1, 1962 toward establishing a common external tariff. Negotiations at that time would also make possible optimum utilization of the authority granted by the Congress in the Trade Agreements Extension Act of 1958. The need to negotiate with the European Economic Community was, in fact, one of the principal points advanced by the Executive Branch in support of extension of the trade agreements authority.

The new round of tariff negotiations is certain to be extraordinarily technical and difficult in view of the complexities resulting from the development of the common external tariff. Preparations for the negotiations are

correspondingly

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correspondingly complex and time-consuming, and should be given high priority by all Government agencies concerned. I suggest that you mention this matter at an early meeting of the Cabinet with a view to encouraging members whose departments have responsibilities in this field to issue appropriate instructions to their staffs to proceed with the necessary preparations as rapidly as possible.

A suggested statement is enclosed for your use.

Acting Secretary

Enclosure:

Suggested statement

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Suggested Statement by the President

SUBJECT: Initiation of Preparations for Tariff Negotiations

On signing the Trade Agreements Extension Act of 1958, on August 20 of this year, I said, "...the free nations are now assured of a continuity in United States trade policy that will make possible new international negotiations to promote mutually advantageous commercial exchange and increased world productivity."

In such negotiations under the General Agreement on Tariffs and Trade we will be faced with unprecedented complexities arising out of the tariff changes which are an integral part of the newly created European Economic Community. As a consequence, the project of preparing for and conducting the negotiations is an enormous one which presents a challenge to every agency of the executive branch concerned with the trade agreements program. It is vital that this project be promptly and carefully planned, vigorously pushed forward, and successfully concluded. This result can be achieved only with the full cooperation of every agency having responsibilities in the trade agreements field.

Under the 1958 Extension Act, authority to enter into trade agreements expires on June 30, 1962. In view of the

evident

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evident complexities, even to meet this date would require immediate initiation of preparatory steps and diligent attention to every phase of the work. It must be our aim, however, to complete the negotiations and enter into trade agreements well in advance of June 30, 1962 in order that the results of our important negotiations with the European Economic Community can be made effective by January 1, 1962 when the common external tariff of the Community comes into effect.

I therefore request that every agency concerned begin at the earliest opportunity and give continuing high priority to the work required to fulfill its responsibilities under the trade agreements legislation and relevant executive orders.

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February 10, 1959

MEMORANDUM FOR

The Honorable Edgar B. Brossard
Chairman
United States Tariff Commission

Since the Commission is so closely involved with the interdepartmental preparations for the forthcoming international tariff negotiations, I am forwarding to you for your information the following extract from Cabinet Record of Action 59-124 of a recent Cabinet meeting.

"2-A Initiation of Preparations for Tariff Negotiations

ACTION:

The President asked that each Department affected by the coming international tariff negotiations begin, under the guidance of the Department of State, the thorough interdepartmental consultations which will be necessary prior to those negotiations, and to continue to give these consultations high priority and full attention."

Robert Gray
Secretary to the CabinetBHP/ccm

UNITED STATES TARIFF COMMISSION
WASHINGTON 25, D. C.

OFFICE OF THE CHAIRMAN

FEB 13 1959

Mr. Robert Gray
Secretary to the Cabinet
The White House
Washington, D. C.

Dear Mr. Gray:

This is to acknowledge receipt of your Memorandum of February 10, concerning the coming international tariff negotiations.

You may be assured that the Tariff Commission will cooperate fully in all preparations and consultations relating to the forthcoming negotiations.

Sincerely yours

E.B. Brossard

Edgar B. Brossard
Chairman

I. INTRODUCTION

A. Our ability to achieve national defense goals, or any others that we may set, depends on our willingness to make the sacrifices that must be made if our children and young people are to be provided with equal opportunities to realize their highest potential.

B. If these sacrifices are to be made by our States, our local school districts, and private citizens before it is too late, it is imperative for the Federal Government to set the right kind of an example.

C. The ability of our Nation to provide children and young people with equal opportunities for education is directly related to the availability of adequate facilities and equipment.

   1. The situation in this area is so critical as to demand prompt and effective action at all levels of government and on the part of foundations and other private groups.

II. THE NEED

A. Elementary and secondary education.

   1. For the 5-year period beginning with the academic year 1958-59 and extending to the academic year 1962-63, the classroom requirements will total approximately 430,000 in order to take care of the existing shortage, the needs growing out of increased requirements and the needs for the replacement of abandoned or destroyed buildings.

2. During the academic years 1956-57 and 1957-58, an average of approximately 70,000 classrooms per year were constructed.

3. If this average were achieved over the next five years, it would result in the construction of 350,000 classrooms as over against an estimated need of 430,000, leaving a deficit of approximately 80,000 -- a deficit that would deprive a minimum of 2,000,000 children of adequate facilities.

   a. In considering whether this rate of construction will be achieved, it should be borne in mind that school districts have incurred heavy debt for construction in recent years and that the need to make payments on this debt will impair both the willingness and ability of those districts to contract additional debt for new school construction.

   b. Likewise, it should be kept in mind that a considerable portion of recent school construction has taken place in the school districts with better than average resources. Future building by these school districts will be at a less rapid rate because they have kept abreast of their needs. Poorer school districts cannot be expected to pick up the slack.

   c. It follows, therefore, that it is very unlikely that the present rate of construction will be maintained.

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4. In short, the most important thing for us to keep in mind is that figures reflecting the average number of classrooms constructed each year do not and cannot reflect the fact that there are in each State poorer school districts that make very little if any progress each year in meeting their needs.
    a. These needs will not be met unless the Federal and State governments form a partnership designed to provide them with the assistance they must have.

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B. Higher Education.

1. No one questions the fact that the demand for admission to institutions of higher education is going to increase sharply over the next ten years until by 1970 there will be at least twice as many qualified young people asking for admission to our institutions of higher education as are enrolled in those institutions today.
2. The projected increases in enrollment over a period of the next five years will call for capital expenditure by colleges and universities of at least $5,600 million.
3. If the current rate of construction, which has been attained in part as a result of the College Housing program, is projected over the same five-year period, it will result in an investment of approximately $3,800 million, thus leaving a deficit of at least $1,800 million.

4. It is clear, therefore, that there is a need for the acceleration of the construction of facilities in the field of higher education if we are going to have any chance of meeting the demands that are going to be placed on these institutions.

III. THE PLANS

A. Debt service advances for elementary and secondary public school construction

1. Major Features

   a. The Federal Government would undertake to advance half the debt service on school construction bonds (having maturities of not less than 20 and not more than 30 years) issued by needy school districts provided the State advances the other half of the debt service and has on file an approved plan which would do the following two things.

      (1) Determine school construction priorities among needy school districts on the basis of their relative need for school facilities and for financial assistance.

      (2) Establish a "reasonable tax effort" index for the purpose of determining the amount of financial assistance required by the needy school districts and for the additional purpose of assuring that the needy school districts receiving assistance will continue to exert this tax effort for the duration of the bond issues plus 10 years.

b. Each school district receiving debt service advances on any of its bonds would be required for each year while the bond issue is outstanding and for an additional 10 years to certify the amount of revenues produced by its exertion of the required tax effort during that year.

   (1) Any excess revenues would be applied to the debt service on such bonds, thus reducing or eliminating Federal and State payments for any year in which there is an excess.

   (2) If the bonds have been retired, then for a period of 10 years after their retirement, any such excess would be applied to repayment of any Federal advances made while the bonds were outstanding with interest at the going Federal rate.

c. The total principal amount eligible for Federal-State debt service advances ($600 million a year for 5 years) would be allotted annually among the States on the basis of school population and per capita income.

d. Example: Assume that school district X has been identified in accordance with a State plan approved by the Federal Government as a needy school district; assume further that it plans to construct a building costing $500,000; assume also that the "reasonable tax effort" index included in the plan approved by the Federal Government shows that in the first year it would be possible for the school district to raise taxes sufficient for paying principal and interest on additional $250,000 of indebtedness; and assume also that 5.7% is the debt service cost.

(1) This means that the annual debt service cost on the $250,000 of indebtedness that the school district cannot handle would be $14,250.

Library

(2) The Federal Government would assume $7,125 of this cost and the remainder would be assumed by the State Government.

(3) Each year during the life of the bond issue this situation would be re-examined to determine whether or not the needy school district is in a position to assume a larger percentage or all of the debt service cost and whenever it is determined that it can assume all of the cost for any year, no Federal-State advance would be made for that year.

(4) This process would be continued for a period of 10 years beyond the life of the bond issue, and if the "reasonable tax effort" on the part of the school district produced excess revenues, these revenues would be applied to the repayment of Federal advances with interest at the going Federal rate.

2. Cost to the Federal Government of the plan.
    a. The only cost during fiscal year 1960 would be the administrative cost involved in getting the plan under way.
    b. If in 1961 the needy school districts took full advantage of the plan, the total debt service cost would be approximately $34 million with the Federal Government assuming $17 million of this cost.
    c. This means that if the local school districts take full advantage of the plan for a period of five years, that at the end of this period the Federal Government would be spending a maximum of $85 million a year.
3. Advantages of the plan.
    a. It would reduce required appropriations to a relatively small amount per year.
    b. It would do a much better job than has been done under previous plans of insuring limitation of Federal aid to needy and deserving school districts because each school district would be required to maintain a reasonable tax effort throughout the duration of the bond and for 10 years thereafter.
    c. It would stimulate the States to act.

B. Grants to encourage institutions of higher education to accelerate construction of additional facilities.

1. Major features.

   a. The Federal Government would guarantee (subject to usual fee requirements) the debt service on non-tax exempt bonds sold by private non-profit colleges to private investors to finance construction of college housing facilities, classrooms, laboratories, administration, and related facilities.

   b. The Federal Government would make grants under the following conditions to help colleges which, in order to finance new facilities, find it necessary to borrow funds on a long-term basis:

      (1) The Government would contribute an amount equal to 25% of the principal of any amount borrowed by an institution to meet construction costs, payable in 20 equal annual installments.

      (2) The college loan would have to be amortized over the 20-year or more period on a level debt service basis. If the college accelerated payments of principal at any time, then Federal grants would be discontinued.

(3) There would be a ceiling of $5 million on the aggregate Federal grants that could be made to any one institution.

(4) Except for science and engineering research and laboratory buildings, only construction projects which would result in the expansion of enrollment capacity would be eligible, including projects to replace structures, the abandonment of which would be required in the near future because of obsolescence and would result in decreased enrollment capacity unless replaced.

c. A ceiling of $400 million a year over a period of 5 years would be placed on the amount of construction that would be subject to the grant program.

2. Example: If institution X, a private college, borrows $1,000,000 on long-term basis to construct a classroom building, the Federal Government would guarantee the loan and make a grant of $250,000, payable at the rate of $12,500 a year over a period of 20 years.

3. The cost.

a. It is estimated that during the fiscal year 1960 the cost of the grant program would be approximately $3 million.

b. In subsequent years the annual cost would rise to $25 million and this would be continued for a period of 20 years.

c. The funds included in the 1960 budget for the college housing program and for the transition period from the present program to a new program would be adequate to take care of the cost in 1960.

4. Advantages.

a. This program would stimulate colleges to commence necessary expansion programs in anticipation of expected enrollment increases and would be limited to those colleges most in need of assistance, namely those which must borrow on a long-term basis.

b. The annual impact on the Federal budget would be minimized.

c. The concealed subsidy feature of the present college housing loan program would be eliminated.

IV. REASONS FOR MAKING BOTH THE ELEMENTARY AND SECONDARY AND THE HIGHER EDUCATION PLANS A PART OF THE ADMINISTRATION'S PROGRAM.

A. For three years this Administration used strong and vigorous language to point up the need for Federal participation in the construction of elementary and secondary facilities.

1. We will be forced to admit that the need is still present.

2. This then puts us in a position where if we do not have any program we will have to explain why we regarded the existence of this need as an emergency for three years and no longer look upon it as such.

B. If we do not participate in the problem that confronts our institutions of higher education, we will be forced to explain why, as the Nation comes closer to a period of an enrollment crisis in the field of higher education, we believe that Federal participation in dealing with that crisis should be decreased rather than accelerated.

  1. This need in the field of higher education is not going to be met unless the Federal Government provides some incentive.
  2. But, it is a need that must be met if we are going to solve the critical manpower problems that lie just ahead.

C. Unless we make these plans a part of the Administration's program, we find ourselves in the completely indefensible position of opposing plans advanced by the opposition to meet a need that we will be forced to admit exists.

D. These plans are completely consistent with the Administration's over-all policies.

  1. They can be launched without making any changes in the 1960 budget.
  2. They are in harmony with the philosophy that we have stated on many occasions, namely, that the Government will step in on emergency basis to help achieve national objectives that would not otherwise be achieved.

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CA - 59-125

January 21, 1959

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, January 23, 1959

1.	Projected Office of Executive Management	CP - 59-90	The Acting Chairman, The President's Advisory Committee on Government Organization
2.	Themes and Content of the American National Exhibition in Moscow	(Oral)	The Director, United States Information Agency The General Manager, American National Exhibition
3.	The Development of a Unified Federal Civilian Communications System	CP - 59-91	The Director Office of Civil and Defense Mobilization

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Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

January 23, 1959
9:00 A. M. --- 10:10 A. M.

The following were present:

President Eisenhower

Sec. Dulles
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
Deputy PMG Sessions
(for Mr. Summerfield)
Sec. Seaton
Sec. Benson
Sec. Strauss
Sec. Mitchell
Sec. Flemming

Deputy Director Roger Jones
(for Mr. Stans)
Gov. Hoegh

Willard F. Libby, AEC
Arthur Kimball, PACGO
Franklin Floete, GSA
John Patterson, OCDM
George V. Allen, USIA
and Chad McClellan

Gen. Persons
Gen. Bragdon
Gen. Goodpaster
Mr. Siciliano
Mr. Merriam
Dr. Paarlberg
Maj. Eisenhower
Mr. Kendall
Mr. Morgan
Mr. Gordon Gray
Mrs. Wheaton
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Office of Executive Management (CP 59-90) - Dr. Flemming, speaking for the President's Advisory Committee on Government Organization, directed attention to the Cabinet paper outlining this proposal, recalled the earlier presentation to the Cabinet, and noted that only Sec. Benson had forwarded comments.

Sec. Benson had also asked whether this reorganization would insulate the Director of the Budget from the President; Dr. Flemming made clear that it would certainly not cause such insulation in budget matters. The President pointed out that the Budget Director had originally been created for the specific purpose of being a business manager -- not to get in the way of Cabinet officers -- but that he had been charged with many other responsibilities over the years at some cost to his basic responsibility. Dr. Flemming also assured Sec. Benson that the Director for Executive Management would be more concerned with long range matters than day-to-day coordination. The President cited the

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need for someone to watch over all the various programs for extending or guaranteeing credit -- a function that could well be carried by the new official who could on the basis of his analysis bring necessary matters to the attention of the Cabinet and President.

Mr. Sessions stated Mr. Summerfield's query as to the possibility of defining more clearly the duties of the new official. The President was dubious about this because of the great variety of subjects and constantly changing pattern in the busy office of the President. The President then mentioned the Hoover Commission recommendation for an additional Vice President, a suggestion the President did not like because of its connotation of directional responsibility. He stated a need for really two top assistants, the other one to be in the field of national security and foreign relations -- what the NSC represents. He might be called the "First Secretary of the Government". Creation of this position, however, would require much more in the way of legislation, especially since it was desired to establish his high position firmly and recognizably so that he could represent the United States at "summit" meetings.

Reverting to the Director for Executive Management, the President stated the need in the business side of government affairs for a man who would not get in the way of Cabinet members, but who could keep ahead of matters needing attention and take hold of programs not developing properly. This position, said the President, would be easier to establish than the First Secretary, hence was being tried first. He ascertained from Dr. Flemming that the position would not be subject to Senate confirmation since the same concept of staff assistants applied here as to the Director of the Budget, who is not subject to confirmation. The President did foresee the possibility that Congress might not be agreeable to this arrangement.

The President then stated that the reorganization plan would be submitted since the Cabinet seemed to be in agreement. He directed that no action be taken toward implementing any part of the proposal until after the reorganization plan had undergone the 60-day period. He agreed that it should be presented to the Leadership at the next meeting. Sec. Dulles suggested that great care be taken not to complicate this proposal by any reference to the possibility of the First Secretary. The President already had this in mind, recognizing that the First Secretary proposal would require extensive consultation at the proper time.

Sec. Anderson requested opportunity to examine the reorganization plan when drawn up and prior to submission to the Congress. Mr. Jones cautioned against minor editing of the technical language because of the various formal requirements governing phraseology. It was agreed that the message and plan would be circulated for the personal attention of the Cabinet members.

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PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

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E.O. 11652, Section. 1
By bc NLE, Date 11/21/78

#36

[redacted]

Moscow Fair (CI 59-58) - Mr. Allen outlined the past difficulties in arranging for the US Exhibition in Moscow, then described briefly the reciprocal arrangement for the Soviets to exhibit in New York beginning in June and for us to exhibit in Moscow for six weeks beginning about July 4. He stressed the opportunity this presented for getting our message to the Soviet people, who are intensely interested in things American according to all available evidence. He did foresee the possibility of many difficulties and could not be sure of the over-all success of the project.

The General Manager of the Exhibition, Chad McClellan, outlined the arrangements being made for kaleidoscopic presentations of American concepts, using especially the multiple screen technique in the domed building. In the other building, all under one roof, would be the many exhibitions of things American.

Mr. McClellan stated that, on the basis of expert advice, a small admission charge would apply simply for purposes of controlling the crowds. Sec. Anderson saw much merit possibly in using the proceeds from admissions to establish a health clinic or some such project permanently in Russia. Sec. Mitchell subsequently reopened this possibility. Mr. Allen commented on some hostile opinions within the United States, which the President tended to discount, then noted the arrangements for the domed building to remain permanently in the Park.

There was brief discussion of the cultural presentations which it is hoped will be arranged to run concurrently in central Moscow, since various considerations dictated against having them at the Park.

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By _____ NLE, Date 11/21/78

Mr. Allen and Mr. McClellan both hoped the Cabinet would be understanding of the difficulties that would probably beset the project. The President stated his strong support of the project, and Sec. Dulles spoke on how beneficial it could be even though an apparently high cost was attached to the attempt. This might be a "break through" as regards US-Russian people-to-people relationships. The President also recalled his own experience in 1941 with the intransigence of the Russians, and he predicted that USIA would encounter even more difficulties than expected.

The President and Sec. Dulles speculated on the possible desirability of US top level visits to the Exhibition.

LAM
L. A. Minnich, Jr.

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Mr. Robert Gray
Mr. Minnich

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RA - 59-125

February 2, 1959

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 23, 1959:

1. Projected Office of Executive Management CP - 59-90

ACTION:

a. The President clarified certain aspects of this proposed reorganization as follows:

   i. The Director of the Office of the Budget would not be insulated from the President on matters of budget.

   ii. The Director of the Office of Executive Management would not have line authority between the President and any Cabinet Member.

   iii. The function of the Office of Executive Management in its Office of Program Coordination is advance planning and follow-through on broad interdepartmental programs, rather than coordination of day-to-day operational matters.

b. With these clarifications, the proposal set forth in Cabinet Paper 59-90 were approved, subject to:

   i. Circulation of the text of the draft legislation and the proposed transmittal Message to the members of the Cabinet on an "eyes only" basis for personal study, and

   ii. A final Cabinet discussion of these papers.

c. The Chairman of the President's Advisory Committee on Government Organization will present the proposals on the above subject at an early meeting of the Republican leaders.

2. Themes and Content of the American National Exhibition in Moscow CI - 59-58

ACTION:

a. The President affirmed his full support for the undertaking of the Fair.

b. Consideration will be given to the suggestion of the Secretary of the Treasury that the rubles accumulated from the gate receipts be left in the Soviet Union in the form of a hospital or other permanent, tangible gift from the American people to the Russian people.

3. The Development of a Unified, Federal Civilian Communication System CP - 59-91

ACTION:

Cabinet Paper 59-91 was approved, with the understanding that in implementing its provisions the Director of the Office of Civil and Defense Mobilization will continue to use the Signal Corps as one of his sources of advice and assistance.

Robert Gray
Secretary to the Cabinet

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COPY NUMBER: 1
CP - 59-90
January 13, 1959

The White House
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THE CABINET

Projected Office of Executive Management

For consideration by the Cabinet, attached is a memorandum prepared by the President's Advisory Committee on Government Organization and the Bureau of the Budget.

This memorandum, and its accompanying three charts, describe the proposed Office of Executive Management, as presented orally at the Cabinet meeting of December 12, 1958.

At that meeting, the members of the Cabinet were invited to submit their comments concerning the structure and functions of this future Office (RA - 58-122, Item 1). Any written comments you may care to make after a study of the attached memorandum will be welcome. The attached paper itself will be listed for discussion on the Cabinet Agenda for January 23, 1959.

This Cabinet Paper is only for the personal use of Members of the Cabinet; it is therefore being given limited distribution. Each recipient is requested to take special precautions to preserve its privileged nature.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

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CP - 59-90

January 13, 1959

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THE CABINET

Projected Office of Executive Management

Need for the Proposed Office of Executive Management

This reorganization proposal is intended as an important step in the direction of making the office of the Presidency of the United States more manageable. The proposed Office of Executive Management will facilitate the President's exercise of his general management responsibilities by strengthening the Executive Office elements which assist the President in his supervision of budgetary, personnel, program coordination, organizational and related management activities.

Existing staff facilities were constructed piece-by-piece over a long period of time as needs arose. They are relatively adequate for budgetary matters, are thinly manned in the management and personnel areas, and even less adequate in the program coordination and planning areas. They now must be integrated and strengthened to serve the current needs of the Presidency.

The budgetary, organization, personnel and legislative-clearance responsibilities of the President, and the staff support available to him in these areas, are well-known. What may be called program coordination probably is less understood.

Responsibility for program coordination and planning in connection with many current problems increasingly does not fall within the purview of single Executive departments or agencies; hence temporary staff arrangements in the White House have been resorted to in order to deal promptly with many troublesome or potentially troublesome matters. Special Assistants to the President, temporary inter-agency study groups, and Presidential advisory committees have been appointed, often on an ad hoc basis, to analyze the policy and organizational problems in such fields as aviation, water resources, transportation, communications, and the extensive proposals of the Hoover and Kestnbaum Commissions.

While these staff and ad hoc study groups do valuable work, they now occupy a disproportionate share of the President's time. Oftentimes he must integrate their findings which sometimes are conflicting, or correlate their program recommendations with budgetary policy.

One further observation might be made:

Under the Budget Bureau at present, such functions as organization and management and legislative reference have the appearance, at least, of being subordinated to budget considerations. In the proposed Office of Executive Management the perspective will be changed, and the budget function as such will come into proper focus as one important tool of management, but not the sole focus of attention.

The Plan of Reorganization

Through a combination of Executive order, reorganization plan and/or legislation as may be determined to be most appropriate, the Bureau of the Budget and certain Special Projects units such as the Office of the Special Assistant to the President for Personnel Management and the Office of the Special Assistant to the President

January 13, 1959

for Public Works Planning will be merged into a new office which will be called the Office of Executive Management. It will be headed by a Director for Executive Management with a salary corresponding to that of the head of an executive department. The Director for Executive Management will be assisted by six statutory, non-career officials: a Deputy Director for Executive Management, with a salary corresponding to that of Under Secretary of an executive department, and five officers with salaries corresponding to or slightly higher than that of an Assistant Secretary of an executive department.

In addition to the functions which it inherits from the three offices mentioned above, the Office of Executive Management will be made responsible for (1) reviewing the planning activities of the Government and stimulating their improvement, initiating or stimulating policy and program planning projects as they may be found to be needed, and coordinating the work of special planning groups; and (2) maintaining a systematic reporting system to keep the President informed of important developments throughout the executive branch.

The Office of Executive Management will be organized along approximately the following lines:

a. An office of the Budget, headed by a "Director of the Office of the Budget." The Director for Executive Management will assign to the Office of the Budget all but the most vitally important of the present responsibilities of the Bureau of the Budget for budget formulation and administration.

b. An Office of Legislative Reference, headed by a "Director of the Office of Legislative Reference." To this office will be assigned the present legislative coordination duties of the Office of Legislative Reference of the Budget Bureau.

c. An Office of Organization and Management, headed by a "Director of the Office of Organization and Management." This Office will be given the present duties of the Offices of Management and Organization, Accounting, and Statistical Standards of the Budget Bureau, except those involving personnel management.

d. An Office of Personnel Management, headed by a "Director of the Office of Personnel Management." This Office will take over the present duties of the Special Assistant to the President for Personnel Management and the present personnel management functions of the Bureau of the Budget.

e. An Office of Program Coordination, headed by a "Director of the Office of Program Coordination." This Office will act as a clearinghouse and means of coordination of executive branch program formulation activities, linking together various levels and fields of planning. Thereafter, the use of Presidential Special Assistants for special planning assignments will not be usually resorted to.

f. The head of each of the five major subdivisions of the new Office described above will be one of the five statutory (non-career) offices mentioned earlier.

g. The Director of the Bureau of the Budget now performs most of his functions directly with staff help from the Bureau Offices and Divisions. In contrast, the Director for Executive Management will make extensive delegations of the functions vested in him by law and Executive order to the heads of the major constituents of the Office of Executive Management. The role of the Director for Executive Management will thus become to a considerable extent one of supervision and coordination and he will be equipped with a small staff to assist him with those duties.

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CP - 59-90

January 13, 1959

h. There will be attached directly to the Office of the Director a small staff concerned with Federal-state-local relations and a small unit responsible for reporting to the President and the Executive Office generally on current developments in legislative, budgeting and operating matters.

Attachments:

(1) Chart showing major features of the internal organization of the Office of Executive Management

(2) Chart showing the organization of the executive branch as of October 1, 1958

(3) Chart showing location of the Office of Executive Management in the executive branch

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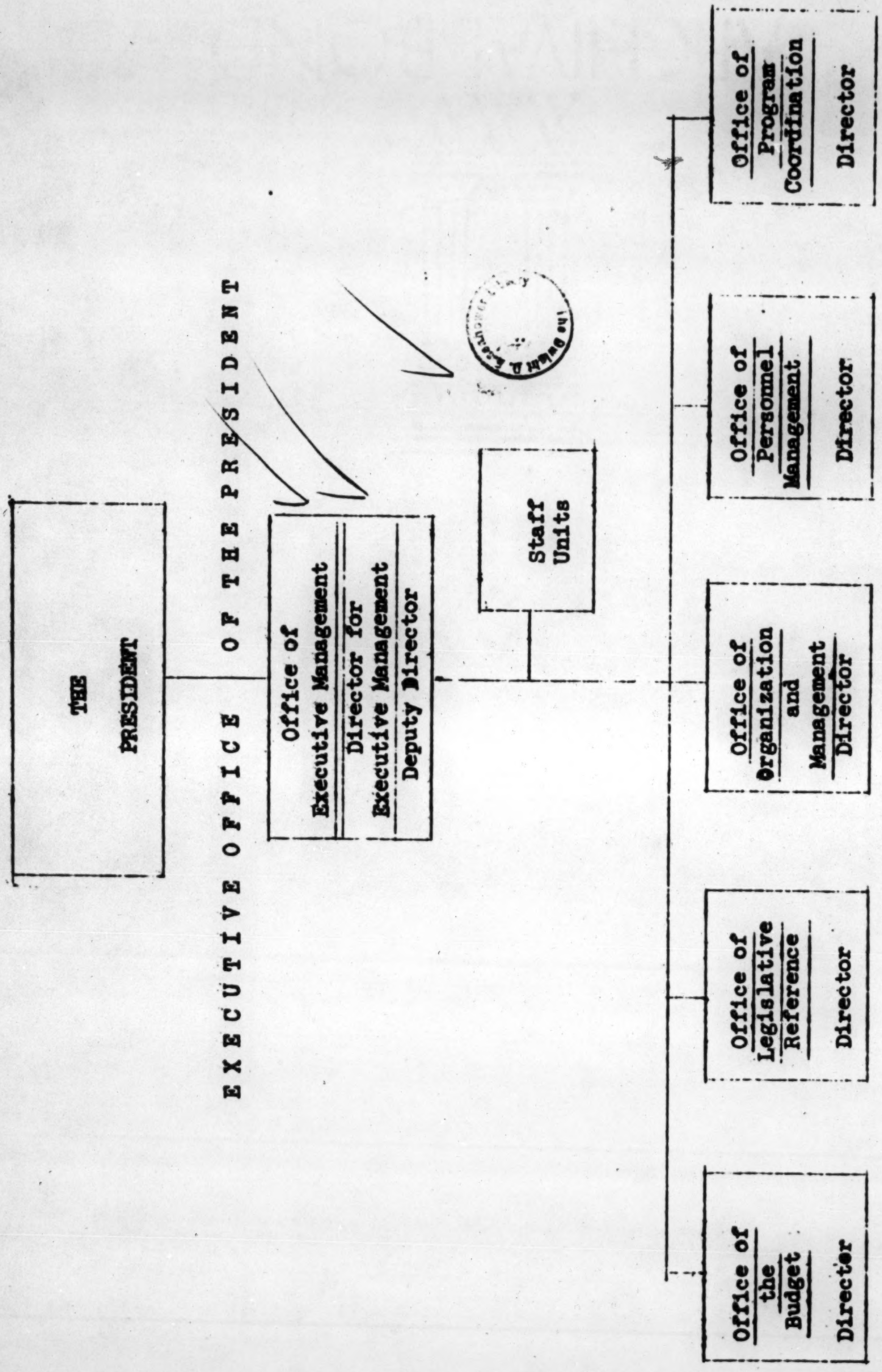
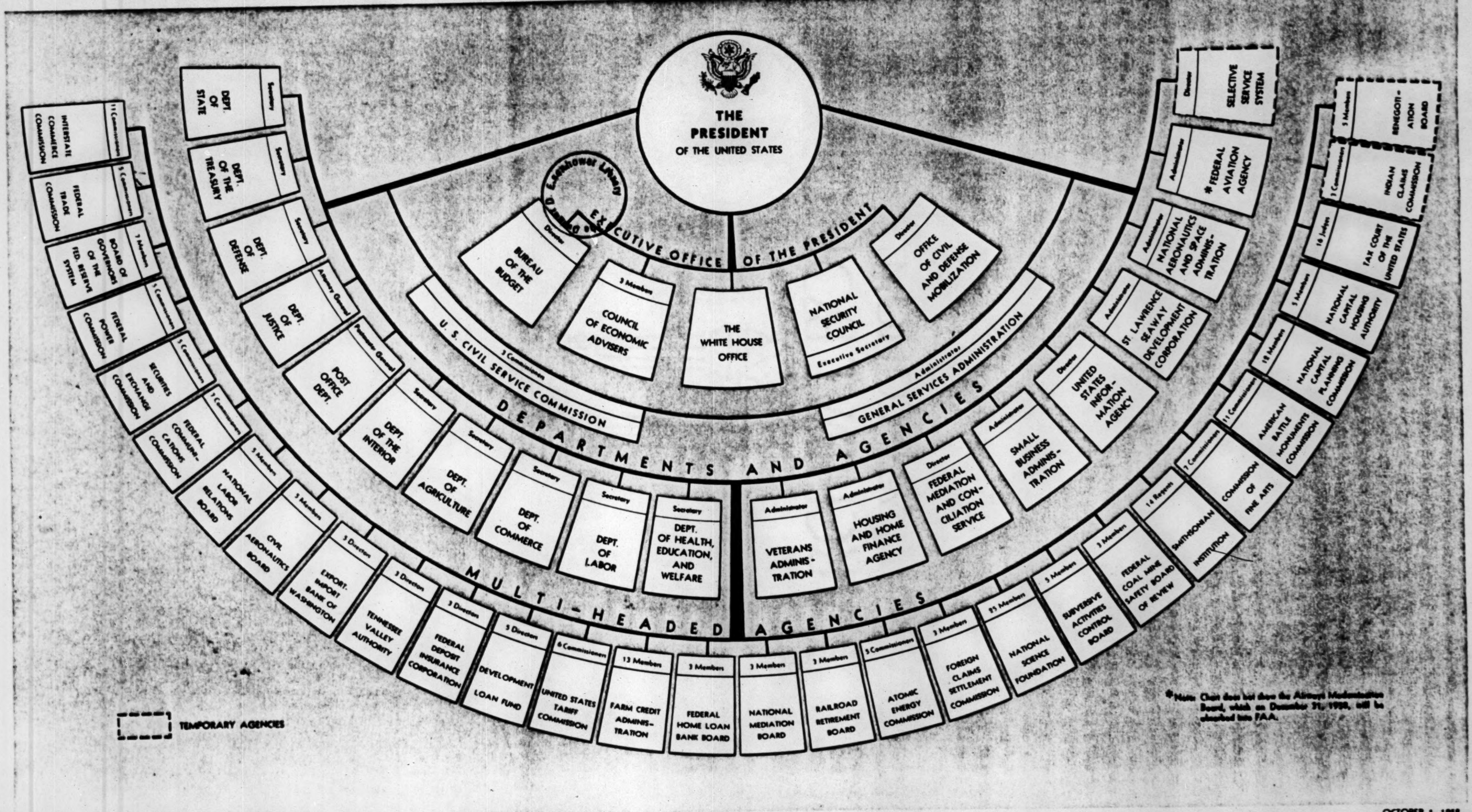

EXECUTIVE OFFICE OF THE PRESIDENT
THE PRESIDENT
Office of Executive Management
Director for Executive Management
Deputy Director
Staff Units
Office of the Budget
Director
Office of Legislative Reference
Director
Office of Organization and Management
Director
Office of Personnel Management
Director
Office of Program Coordination
Director

CABINET PAPER

For Consideration

EXECUTIVE BRANCH OF THE GOVERNMENT

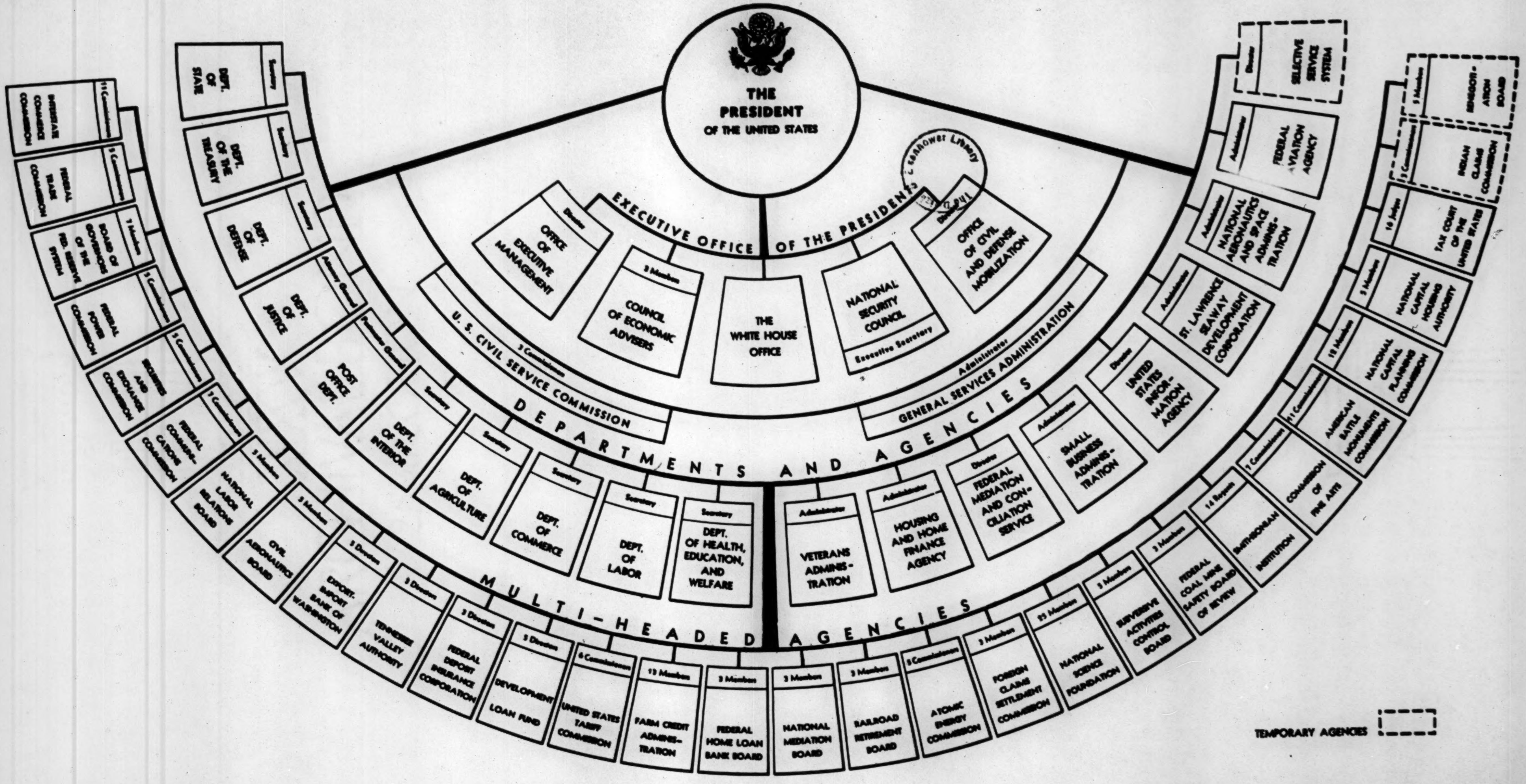

THE PRESIDENT
OF THE UNITED STATES
EXECUTIVE OFFICE OF THE PRESIDENT
Director
BUREAU OF THE BUDGET
3 Members
COUNCIL OF ECONOMIC ADVISERS
THE WHITE HOUSE OFFICE
NATIONAL SECURITY COUNCIL
Executive Secretary
Director
OFFICE OF CIVIL AND DEFENSE MOBILIZATION
3 Commissioners
U. S. CIVIL SERVICE COMMISSION
Administrator
GENERAL SERVICES ADMINISTRATION
DEPARTMENTS AND AGENCIES
Secretary
DEPT. OF STATE
Secretary
DEPT. OF THE TREASURY
Secretary
DEPT. OF DEFENSE
Attorney General
DEPT. OF JUSTICE
Postmaster General
POST OFFICE DEPT.
Secretary
DEPT. OF THE INTERIOR
Secretary
DEPT. OF AGRICULTURE
Secretary
DEPT. OF COMMERCE
Secretary
DEPT. OF LABOR
Secretary
DEPT. OF HEALTH, EDUCATION, AND WELFARE
Administrator
VETERANS ADMINISTRATION
Administrator
HOUSING AND HOME FINANCE AGENCY
Director
FEDERAL MEDIATION AND CONCILIATION SERVICE
Administrator
SMALL BUSINESS ADMINISTRATION
Director
UNITED STATES INFORMATION AGENCY
Administrator
ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
Administrator
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
Administrator
* FEDERAL AVIATION AGENCY
Director
SELECTIVE SERVICE SYSTEM
MULTI-HEADED AGENCIES
11 Commissioners
INTERSTATE COMMERCE COMMISSION
5 Commissioners
FEDERAL TRADE COMMISSION
7 Members
BOARD OF GOVERNORS OF THE FED. RESERVE SYSTEM
5 Commissioners
FEDERAL POWER COMMISSION
5 Commissioners
SECURITIES AND EXCHANGE COMMISSION
7 Commissioners
FEDERAL COMMUNICATIONS COMMISSION
5 Members
NATIONAL LABOR RELATIONS BOARD
5 Members
CIVIL AERONAUTICS BOARD
5 Directors
EXPORT-IMPORT BANK OF WASHINGTON
3 Directors
TENNESSEE VALLEY AUTHORITY
3 Directors
FEDERAL DEPOSIT INSURANCE CORPORATION
5 Directors
DEVELOPMENT LOAN FUND
6 Commissioners
UNITED STATES TARIFF COMMISSION
13 Members
FARM CREDIT ADMINISTRATION
3 Members
FEDERAL HOME LOAN BANK BOARD
3 Members
NATIONAL MEDIATION BOARD
3 Members
RAILROAD RETIREMENT BOARD
5 Commissioners
ATOMIC ENERGY COMMISSION
3 Members
FOREIGN CLAIMS SETTLEMENT COMMISSION
25 Members
NATIONAL SCIENCE FOUNDATION
5 Members
SUBVERSIVE ACTIVITIES CONTROL BOARD
3 Members
FEDERAL COAL MINE SAFETY BOARD OF REVIEW
14 Regents
SMITHSONIAN INSTITUTION
7 Commissioners
COMMISSION OF FINE ARTS
11 Commissioners
AMERICAN BATTLE MONUMENTS COMMISSION
18 Members
NATIONAL CAPITAL PLANNING COMMISSION
5 Members
NATIONAL CAPITAL HOUSING AUTHORITY
16 Judges
TAX COURT OF THE UNITED STATES
3 Commissioners
INDIAN CLAIMS COMMISSION
5 Members
RENEGOTIATION BOARD
TEMPORARY AGENCIES

*Note: Chart does not show the Airways Modernization Board, which on December 31, 1958, will be absorbed into FAA.

OCTOBER 1, 1958

EXECUTIVE OFFICE OF THE PRESIDENT BUREAU OF THE BUDGET

EXECUTIVE BRANCH OF THE GOVERNMENT


THE PRESIDENT OF THE UNITED STATES
EXECUTIVE OFFICE OF THE PRESIDENT
Director
OFFICE OF EXECUTIVE MANAGEMENT
3 Members
COUNCIL OF ECONOMIC ADVISERS
THE WHITE HOUSE OFFICE
NATIONAL SECURITY COUNCIL
Executive Secretary
Director
OFFICE OF CIVIL AND DEFENSE MOBILIZATION
3 Commissioners
U. S. CIVIL SERVICE COMMISSION
Administrator
GENERAL SERVICES ADMINISTRATION
DEPARTMENTS AND AGENCIES
Secretary
DEPT. OF STATE
Secretary
DEPT. OF THE TREASURY
Secretary
DEPT. OF DEFENSE
Attorney General
DEPT. OF JUSTICE
Postmaster General
POST OFFICE DEPT.
Secretary
DEPT. OF THE INTERIOR
Secretary
DEPT. OF AGRICULTURE
Secretary
DEPT. OF COMMERCE
Secretary
DEPT. OF LABOR
Secretary
DEPT. OF HEALTH, EDUCATION, AND WELFARE
Administrator
VETERANS ADMINISTRATION
Administrator
HOUSING AND HOME FINANCE AGENCY
Director
FEDERAL MEDIATION AND CONCILIATION SERVICE
Administrator
SMALL BUSINESS ADMINISTRATION
Director
UNITED STATES INFORMATION AGENCY
Administrator
ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
Administrator
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
Administrator
FEDERAL AVIATION AGENCY
Director
SELECTIVE SERVICE SYSTEM
MULTI-HEADED AGENCIES
11 Commissioners
INTERSTATE COMMERCE COMMISSION
5 Commissioners
FEDERAL TRADE COMMISSION
7 Members
BOARD OF GOVERNORS OF THE FED. RESERVE SYSTEM
5 Commissioners
FEDERAL POWER COMMISSION
5 Commissioners
SECURITIES AND EXCHANGE COMMISSION
7 Commissioners
FEDERAL COMMUNICATIONS COMMISSION
5 Members
NATIONAL LABOR RELATIONS BOARD
5 Members
CIVIL AERONAUTICS BOARD
5 Directors
EXPORT-IMPORT BANK OF WASHINGTON
3 Directors
TENNESSEE VALLEY AUTHORITY
3 Directors
FEDERAL DEPOSIT INSURANCE CORPORATION
5 Directors
DEVELOPMENT LOAN FUND
6 Commissioners
UNITED STATES TARIFF COMMISSION
13 Members
FARM CREDIT ADMINISTRATION
3 Members
FEDERAL HOME LOAN BANK BOARD
3 Members
NATIONAL MEDIATION BOARD
3 Members
RAILROAD RETIREMENT BOARD
5 Commissioners
ATOMIC ENERGY COMMISSION
3 Members
FOREIGN CLAIMS SETTLEMENT COMMISSION
25 Members
NATIONAL SCIENCE FOUNDATION
5 Members
SUBVERSIVE ACTIVITIES CONTROL BOARD
3 Members
FEDERAL COAL MINE SAFETY BOARD OF REVIEW
14 Regents
SMITHSONIAN INSTITUTION
7 Commissioners
COMMISSION OF FINE ARTS
11 Commissioners
AMERICAN BATTLE MONUMENTS COMMISSION
18 Members
NATIONAL CAPITAL PLANNING COMMISSION
3 Members
NATIONAL CAPITAL HOUSING AUTHORITY
16 Judges
TAX COURT OF THE UNITED STATES
3 Commissioners
INDIAN CLAIMS COMMISSION
5 Members
RENEGOTIATION BOARD
TEMPORARY AGENCIES

DECEMBER 1959

Excerpt fro Cabinet discussion - January 23, 1959

Flemming: Benson asked whether Director of the Budget Office would be insulated from the President. Anser is no — he and the OEM Director would both deal with the President on matters of budget. No insulation. Of course the future depends on the President and the OEM Director.

DE: In the original law setting up the Budget Bureau, budget was only one part of the function -- a generalbusiness manager was intended, in that statute. The OEM Director would coordinate across the board, but not come as a layer between the President and a Cabinet member on a matter of policy.

AF: Secretary Benson also asked whether the Director of OEM would do day-to-day coordination or long-term planning. It is the latter. The world "Plan" is anathema on the Hill - so we used the phrase "Program coordination". It means he will serve the President in these matters where in the past the President has set up Special Assistants in the White House. Not day-to-day coordinating.

Benson : I think it is a good thing.

DE: Example: coordination on credit programs and insurance? That kind of study and review is what I'd like to see such a man do. Gen. Bragdon's planning shop will be a part.

Sessions: Could you define the functions of OEM more specifically?

are jumping
DE: Hard to do - I have found this - that here in the White House we from the griddle to the stove to the linoleum and back again all the time - always have to discuss something specific just for the moment -- and then it must be signed, and that's all we can do. Now the Hoover Commission Reports called for an Administrative Vice President -- I don't like the title and I don't like the connotation of suchan officer "directing" others. I really believe that the President needs such an assistant.

...

as a layer
The OEM Director would be a business manager overall -- not get in the way of a Cabinet Member on matters of policy. If something is not comin g along -- if a matter is not going according to decisions which we reach here at Cabinet — he will be involved.

AF: Will be handled by EO and Reog. Plan -- legislation later to establish Cabinet-level salary (22,500 now for Budget; 25,000 planned) . Will not be subject to Senate confirmation.

DE - Don't know about this... we want to make certain that his office is recognized by the Congress - otherwise we may not be able to get the kind of officer which c an do this work.

AF: In the original Budget and Accounting Act it said that the Budget Director should never be confirmed by the Senate -- personal to the President.

DE: I am wondering if the Senate would accept the Reog. Plan if that confirmation is not in there....
Put it on at Leadership on Tues.

...

AF: Budget willcirculate the text of the Reorganization Plan itself.

Jones: No -- that is too complicated -- it's like a ballet all full of complicated language and can't really be messed with, — in terms of editing.

Anderson: Should be circulated only to Cabinet members personally , then.

Jones: You are talking about the Message to go with the Plan.

RA: No - here we have only the skeleton outline of some proposals - we need to see just how they are going to be implemented.

DE: Bring this whole thing back to Cabinet, and if anybody has any questions he ca take it back for study.

Anderson: We are creating something for a long time here - a successor President probably will not overthrow it - unless he deeply disagreed with it -- so we are making perhaps a permanent change in the management of the government's business and it should not be made without careful discussion.

AF: Get any ideas about this to us now - we can then circulate the final document again.

DE: Eyes only!

THE WHITE HOUSE
WASHINGTON

January 20, 1959

MEMORANDUM

SUBJECT: Cabinet Agenda for Friday, January 23

The following items are ready for Cabinet discussion this coming Friday:

30M

1. **The Projected Office of Executive Management** (Dr. Flemming - in his capacity as Acting Chairman of the Advisory Committe on Government Organization)

Hold for Exec Session

2. **Foreign Affairs Organization** (Dr. Flemming - in his capacity as Acting Chairman of the Advisory Committe on Government Organization)

The Advisory Committee on Government Organization has completed its staff work with the interested agencies and has sent forward to the President a plan for reorganizing the foreign affairs structure of the Executive Branch -- by creating (a) a First Secretary to the Government and (b) a more unified Department of State. A brief paper has been prepared which can be circulated as an information document to aid the Cabinet's understanding of this new proposal. It would make a good companion piece to item one above.

?

3. **The Development of a Unified, Federal Civilian Communication System** (Director Hoegh)

One of the major points to emerge from the evaluation of OPERATION ALERT, 1958 was the desirability of a review to see if the many, separate, Federal civilian agency communications systems criss-crossing the Nation could not to some extent be integrated to serve the government better in time of peace and especially in time of emergency. The review has been made and its preliminary finding is that such a unification would be both feasible and desirable. The Telecommunications Advisory Board has produced a paper which includes a draft policy statement endorsing such a unification contingent upon a detailed plan to be prepared by OCDM in six months. This preliminary paper and its policy statement will be ready for Cabinet discussion on Friday.

Library

4. Themes and Content of the American National Exhibition in Moscow (Director Allen and Mr. McClellan)

Last year, in the midst of the Brussels Fair, a public controversy broke out about the "themes and content" of the American building at this exhibition. The President sent Mr. Allen on a flying tour, and Mr. Allen later reported his findings to the Cabinet.

RoM

This year, with the Fair in Moscow now at the design stage and with the members of the Fair's Public Advisory Committee meeting with the President for lunch on Friday, it will be appropriate to have Director Allen and Mr. McClellan (the chief of the American exhibition) come to Cabinet beforehand and give the President a description of what is planned. This will serve both as a report before, rather than after the fact, and will brief the President in advance of his luncheon meeting.

Two other items are being readied for the Cabinet agenda and could possibly be ready by Friday:

5. Gifts from Foreign Governments -- Report of the Special Interdepartmental Committee (Secretary Dulles)

Following the Purse incident in the Department of State, and hearings before Senator McClellan's Committee, the Cabinet approved the creation of a special interdepartmental committee to draw up a common set of criteria (under statute if necessary) to govern the acceptance of gifts by all U.S. employees abroad. The Committee is finishing its work and proposes a new statute in implementation of Article 1, Section 9, Clause 8 of the Constitution. The staff work has been thorough and complete and has involved all the interested agencies. The Cabinet paper, with the draft statute as an attachment, should be finalized at the Committee's meeting today and will be ready for

Cabinet discussion.

6. Strengthening the Federal Council on Aging (Secretary Flemming)

On April 2, 1956, as a result of Cabinet consideration, the President by letter created the Federal Council on Aging with "representatives from" twelve agencies. After two and a half years, it is now felt by those concerned that the Council, which has operated at Assistant Secretary level (Newell Brown, of Labor, as Chairman), should be elevated to Cabinet level with Secretary Flemming as Chairman.

A short Cabinet paper is being prepared giving the reasons for this proposed change, together with the suggested text of a Presidential letter accomplishing it, if approved. Secretary Flemming will make the presentation.

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

January 22, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 23, 1959

The following are the items listed on the agenda for Friday's meeting:

1. Projected Office of Executive Management (Dr. Flemming)

At the cabinet meeting of December 12th, you invited the Members of the Cabinet to reflect on this proposal for reorganization of the Executive Office prior to your final approval of it. A summary of the proposal has been circulated to the Members of the Cabinet on an "eyes only" basis and they will be prepared tomorrow morning to give you such comments as they have.

2. Themes and Content of the American National Exhibition in Moscow (Mr. Allen, Mr. McClellan)

Last year, in the midst of the Brussels Fair, a public controversy broke out about the "themes and content" of the American building at this exhibition. At your request, Mr. Allen inspected the exhibit and reported his findings to the Cabinet. Members of the Moscow Fair's Public Advisory Committee are meeting with you for lunch on Friday. Director Allen and Mr. McClellan (the General Manager of the American Exhibition) will present to you at Cabinet a description of what is planned as a briefing for your luncheon meeting.

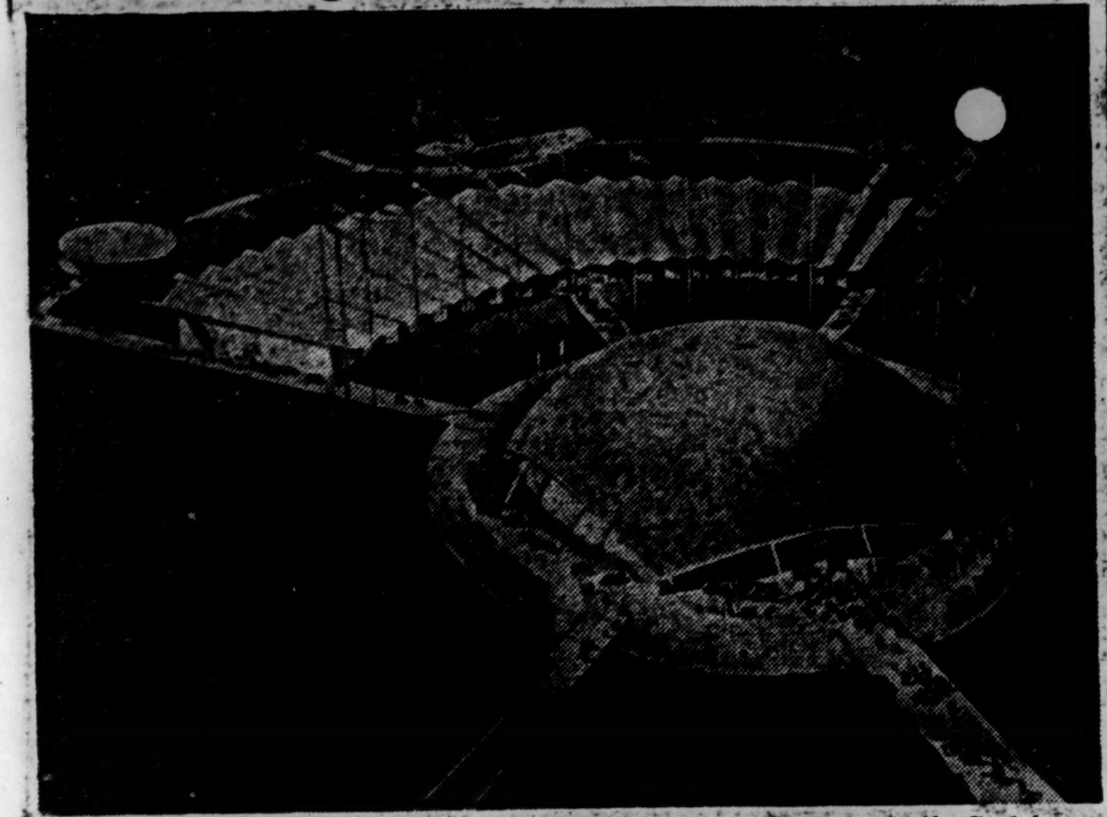
3. The Development of a Unified, Federal Civilian Communication System (Governor Hoegh)

At the Cabinet meeting of last October 9, Director Hoegh was instructed to prepare, by January 1959, an interim report which would propose a statement of national policy on the extent to which the various separate Federal civilian agency communications systems can be unified in order best to serve over-all emergency needs. The interim report is now ready for Cabinet discussion.

Robert Gray

Robert Gray
Secretary to the Cabinet

U. S. Plans Big Aluminum Dome for Moscow Fair



This is how the American National Exposition is to look next summer in the Soviet capital. The design is by Welton Becket and Associates, Los Angeles architec[illegible]l firm.

Special to The New York Times.

WASHINGTON, Jan. 7—An aluminum dome, 200 feet in diameter, will dominate the United States exhibition in Moscow next summer, it was disclosed here today.

Artists' sketches of the fairground show the dome, surrounded by a moat and fountains, as the focal point of the display in Sokolniki Park. The dome will cover a science show.

Behind it, a fan-like structure will house cultural and technological exhibits. There will be an amphitheatre to the rear for the performing arts. A round building on the left will show circarama films. These films were one of the hits of the United States pavilion at the Brussels World Fair. There will be a snack bar in the tent to the right.

The aluminum dome, built by the Kaiser Aluminum and Chemical Corporation, will be the largest of its kind. Its structural principles were developed by R. Buckminster Fuller and have been employed by Kaiser in auditoriums, a convention hall, and an opera-house-in-the-round.

The components for the dome will be fabricated in Kaiser's mill at Trentwood, Wash., and shipped flat to the Soviet Union. There they will be formed in a sunburst pattern and preassembled with aluminum struts. About 1,110 panels will be used.

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CI - 59-58

January 22, 1959

The White House

Washington

THE CABINET

Revised General Plan for the American National Exhibition in Moscow

For information of the Cabinet, attached is a copy of the latest version of the planning document for the American Fair scheduled to open in Gorki Park, Moscow, on July 4, 1959.

This document, prepared by the Office of the American National Exhibition, sets forth the twelve themes of the exhibition and under each describes the methods by which these themes are to be presented.

The attached paper is for background in conjunction with the discussion of this subject at the Cabinet meeting of January 23, 1959.

Robert Gray
Secretary to the Cabinet

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For Information

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January 22, 1959

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Washington

THE CABINET

Revised General Plan for the American National Exhibition in Moscow

I. LAND AND PEOPLE

A. Physical Characteristics and Political Geography - Large map of the U. S. showing Topography and Political Geography, including states, state capitols and major cities.

B. America Today - Circarama and Dome Films.

C. Gallery of Americans - Dome Perimeter.

II. AMERICA LIVES

A. Physical Appearance - Farm, Village, Town, City, Suburbs (showing close parallel between rural and urban housing, facilities and living standards) - Dome films and Circarama.

B. City Planning - Philadelphia Exhibit.

C. The Home.

1. Prefab house with complete furnishings including mailbox, lamp post, trash can and "street furniture."
2. Model apartment emphasizing space saving, multi-purpose furniture.
3. Home furnishings section showing latest in home furnishings and accessories and featuring plastic, hard and foam rubber items where possible.
4. Garden equipment and home workshop tied to "do-it-yourself" show.
5. Statistics on home ownership - Ramac and Prefab House.

III. AMERICA WORKS

A. Places of Work - Dome films (factories, mines, construction, farm, forest, etc.)

B. Labor Story - in consultation with Dept. of Labor.

C. Office Equipment - typewriters, transcribers, calculating machines, etc.

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IV. AMERICA PRODUCES

A. Agricultural Story - Dome films and in consultation with Dept. of Agriculture.

1. Family farm - Model, full-scale barn with farm equipment.
2. Light farm equipment - pickup truck, tractor with all attachments, etc.
3. Farmer coops, etc. - Dome films.

B. Industry

1. Decentralization and specialization - Dome film showing production various auto parts all over U. S. and assembly Detroit, etc.
2. New and growing Industries - Dome films on synthetics, rubber, light metals; synthetics story (Dupont).
3. Printing and Distribution of Exhibition Program through information booth.
4. Food and beverage - preservation and vending - sale.
5. Textiles - machine turning out synthetic fabric (nylon, dacron) - industrial sewing demonstration.
6. Automatic machine stamping out plastic souvenir.
7. Construction equipment - prime movers, dumpers, etc. (LeTourneau).
8. Precision instruments, testing equipment, etc. (per Soviet List)
9. Medical and Dental equipment - artificial limbs, hearing aids (transistor), glasses (per Soviet List).

V. AMERICA CONSUMES

A. Marketing Approach.

1. Mail order catalogs and consumers's guide.
2. Industrial design - 20 - 30 items winning "Best Design Awards."
3. Packaging - in terms of design and efficiency.
4. Consumer research - Ramac.

V. AMERICA CONSUMES (Cont'd)

B. Kitchen Equipment and Kitchens.

1. DeLuxe kitchen (demonstration).
2. Apartment kitchen.
3. Prefab house kitchen.
4. Kitchen equipment and utensils giving priority to plastic, rubber and aluminum items.
5. Electrical Appliances.
6. Food demonstration (including packaging, preservation, cooking, ready mixes, frozen foods, canned foods).
7. Snack bars and/or automatic food and drink vending machines.
8. Clothing and fashions for men, women and children, including shoes, haberdashery, costume jewelry, wrist watches - clothing for all seasons and all purposes; emphasis on synthetic materials.
9. Cosmetics and Beauty Aids.
10. Home Sewing demonstration (Singer).

VI. AMERICA LEARNS

A. Education and Educational Exchange Story - in consultation with HEW, IES and IIE - Dome and Dome films.

B. College Catalogs.

VII. AMERICA EXPLORES MAN AND THE UNIVERSE

A. Organization of Research - Dome films or pamphlet including pure Scientific Research.

B. Medical Research - in consultation with HEW.

C. Agricultural Research - in consultation with Dept. of Agriculture.

D. Nuclear Research - in consultation with AEC.

E. Technical Marvels.

1. Ramac.
2. Flying platforms.
3. Prototype automobiles (flying Ford, etc.) (at least one good prototype).
4. Inflatable airplanes (Goodyear).

F. Chemical Research - synthetics story (DuPont).

G. Space Research - in consultation with NASA.

H. Social Sciences - Book display, Gallery of Americans, Dome film.

I. Philosophy - Book display, Gallery of Americans.

VIII. AMERICA CREATES

A. Architecture - Form-Givers of the Twentieth Century. Architectural models, story on dome fabrication.

B. Painting - AFA.

C. Sculpture - AFA.

D. Music - Records, record covers, catalogs, sheet music, musical instruments.

E. Film, theater and ballet (depending on cultural pavilion).

F. Reading Room for Books.

G. Reading Room for Newspapers and Periodicals.

H. Photography - "Family of Man" Exhibit.

IX. AMERICA TRAVELS

A. Road Network (motels, service stations, restaurants, etc.)- Dome films and Travel Bureau.

B. Travel Bureau - U. S. travel information, posters, pamphlets, maps.

C. Cars - Standard models and at least one prototype.

1. List of Standard models submitted.
2. Possible prototype - Flying Ford or Futuristic Ford.
3. Cutaway demonstration model of Chevrolet Impala showing engine in motion as well as "Air Ride" suspension, which elevates for more road clearance.
4. In connection with outdoor sports exhibit: a) Chevrolet Corvette sports car, b) Chrysler Convertible, c) Ford Station Wagon especially equipped for camping.

D. Trucks and Trailers and Special Purpose Vehicles.

1. Pickup for family farm.
2. Transcontinental semi-truck/trailer (Fruehauf).
3. Small collapsible camping trailer and one completely furnished house trailer (See all Aluminum 24 ft. Fleetwind house trailer by American Trailer Co.)
4. Fire engine - hook-and-ladder (with demonstration).
5. Ambulance.
6. Snow plow/remover.
7. Street cleaner.
8. Jeep with all attachments.
9. Greyhound Scenicruiser.

IX. AMERICA TRAVELS (contd.)

E. Automobile Accessories and Equipment (including tires and tire-testing equipment) (See Soviet List).

F. Schweitzer Do-it-Yourself Glider.

G. Bus, Railway, Truck and Air Transport - Dome Films.

H. Communications - Telephone exhibit including automatic exchanges, multi-colored telephones, telephone books, etc. (See Soviet List).

X. AMERICA PLAYS

A. Sports Equipment (See Soviet List).

  1. Outdoor - Alpine, hunting, fishing, camping, skin diving, amateur aviation, motorcyclist, racing, hockey, figure skating - bicycles and motorcycles - tennis balls and racquets, vaulting poles, 8-man scull, skiing.

  2. Indoor - balls, boxing gloves and equipment, chess sets (including electronic chess playing machine).

B. Prefab Summer Lodge.

C. Boats - sailboats, motorboats (inboard and outboard), canoes, kayaks - emphasize smaller craft of type widely owned in U.S. and plastic/fibre glass construction.

D. Photographic equipment - all types including polaroid cameras, motion picture equipment for home use, color photography, kits for developing and printing - consider including some professional equipment.

E. Do-it-Yourself with Home Workshop.

F. Toy Exhibit.

G. Playground.

H. Radio, TV sets and Videotape, Tape Recorders.

I. Color TV.

J. Hi-Fi-Stereo with Listening Facilities.

XI. AMERICAN COMMUNITY LIFE

A. Public Health Story - in consultation with HEW.

B. Community - sponsored Orchestras (map).

C. Social and Voluntary Organizations (disbursed throughout exhibit).

D. Community Contact with Soviet Exchange Visitors and Soviet Exhibition in New York - Dome Films.

XII. OPINION POLL

A. Voting Machines and Comment Books.

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CA - 59-126

January 29, 1959

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, January 30, 1959

1.	Coordination of Federal Activities for the Aging	CP - 59-46/1	The Secretary of Health, Education, and Welfare
2.	Gifts and Decorations from Foreign Governments -- Report of the Interdepartmental Study Group	CP - 59-80/1	The Under Secretary of State
3.	Legislative and Administrative Proposals with Respect to Telecommunications	(RA - 58-115)	The Director, Office of Civil and Defense Mobilization
4.	Departmental Fact Papers for Leadership Meetings	(Oral)	The Deputy Assistant to the President for Congressional Affairs

* * * * * * *

5.	Post-Cabinet Briefing on U.S. and U.S.S.R. Missile Capabilities	(Oral)	The Deputy Secretary of Defense The Chairman, Joint Chiefs of Staff The Assistant Secretary of Defense for Public Affairs

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DWC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

January 30, 1959
9:00 A. M. --- 11:10 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Atty. Gen. Rogers
PMG Summerfield
Under Sec. Bennett
(for Sec. Seaton)
Under Sec. Morse
(for Sec. Benson)
Sec. Strauss
Sec. Mitchell
Sec. Flemming

Director Stans
Gov. Hoegh

Mr. Quarles, Defense
Mr. Murray Snyder
Gen. Twining
Mr. L. Becker, State
Mr. McCone, AEC
Mr. Whittier, VA
Mr. Mason, HHFA

Gen. Persons
Mr. Siciliano
Dr. Killian
Mr. Kendall
Mrs. Wheaton
Dr. Paarlberg
Mr. Merriam
Mr. Morgan
Mr. Gordon Gray
Maj. Eisenhower
Mr. Harlow
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Letters of Support - The President reported the comments of Republican legislators regarding how helpful it is to them to have letters from constituents expressing support for particular positions. He recalled his own letter writing project in behalf of the Defense Reorganization bill last year, and he urged the Cabinet to write their own friends suggesting expressions of support be sent to Members of Congress.

The President felt this was particularly important in view of the probability that three large spending bills (Housing, Airports, and Depressed

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E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

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Areas) will be taken up quickly, possibly to test the ground of Presidential veto and ability to override a veto. The President referred to Governor Hatfield's inaugural address in Oregon on the importance of testing the need, desirability and ability to pay for new projects.

The President noted reports that some members of the Administration were uneasy over allegations that the Administration program is too limited. The President believed such a feeling was not justified. Instead, he was rather optimistic, felt that the Administration's situation was not bad, and that it would be a great deal worse if the Government could not pay its way.

The President noted Rep. Taber's view that even though the Republicans may be bowled over by heavy spending votes early in the session, the situation might well be corrected by making sure that the names of those voting for heavy spending got reported thoroughly back home.

The President concluded that even though the Administration was in the kind of battle that no one expects it to win, there is a good chance of winning, and all the more satisfaction in doing so.

Mr. Summerfield suggested full attention to opportunities for getting forceful speeches inserted in the Congressional Record and subsequently distributed widely via Congressional mailing lists. Adm. Strauss noted the desire of various large organizations to help enlist public opinion against heavy spending.

Programs for the Aging (CP 59-46/1) - Dr. Flemming quickly presented the recommendation in CP 59-46/1 that the Federal Council on Aging be reconstituted as a Cabinet Committee for the purpose of strengthening the Administration position in dealing with the many new bills in this field. Dr. Flemming noted that some $12 billion goes from the Treasury each year to the aging, directly or indirectly -- $9 billion through the Old Age and Survivors program. The President was concerned lest Cabinet Members be overburdened with Committee sessions. He urged that they designate subordinates to attend most meetings, though they would themselves have to participate in the principal decisions. Dr. Flemming assured the President that a working group chaired by Miss Adkins would carry most of the burden. There being no further comment, the President gave his approval.

Gifts and Decorations from Foreign Dignitaries (CP 59-80/1) - Mr. Herter referred to the work of the Interdepartmental Study Group on this subject and the resulting recommendation that the Administration request legislation covering the matter. He summarized the Administration proposal as a tightening up of past practices and as allowing acceptance of minimal value gifts or those which could not be returned without causing undue embarrassment. A Board would pass on the propriety of the action taken in certain cases. Also, the practice of

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

putting gifts in the custody of the State Department until departure from public office would no longer be utilized. Mr. Becker added that gifts currently on deposit in State would be cleared out under the new standards.

Regarding decorations, after Sec. Herter briefly described procedures, the President suggested the possibility of confusion as to the meaning of combat service and the possibility of substituting the phrase "field service in war" or something similar.

Mr. Rogers stated Justice Department's concurrence. He hoped great care would be given to the manner of presentation of this legislation so as to insure sympathetic Congressional treatment of the problem, especially since the subject was inherently so attractive to newspaper writers. He thought this might better be a joint Administration - Congressional effort, rather than an Administration proposal. Gen. Persons indicated that this point would be taken up by the Liaison Group.

Telecommunications - Gov. Hoegh reported on the work of the Special Committee on Telecommunications appointed following Cabinet discussion last fall. He recommended that the Administration not act upon the suggestion for a 3-man board within the Executive Office to make a long range study, but that the OCDM staff be strengthened immediately (at a cost of $200,000) and that the Congress be asked to establish a 5-man board to make the necessary analyses and develop a solution.

The President ascertained that this would not be an additional permanent independent commission, of which he had had enough. Gov. Hoegh stated that the group could be limited in its work to a period of perhaps one year.

Fact Papers for Leadership Meetings - Mr. Harlow outlined plans for providing the Leadership each Monday with Fact Papers pertaining to the items on the agenda for the Tuesday meetings. This would require preparation of the papers by the Departments on the preceding Thursday and Friday. Since the papers would probably be utilized by the Leadership in public comments, they would require very careful preparation and ought to have the personal approval of the Department head whenever the subject matter might be controversial.

Mr. McElroy requested a sample of such a paper for guidance. Mr. Harlow agreed to provide one.

The President spoke at some length on the need for giving very careful attention to the preparation of these papers, especially since statistical material might be shaded in many ways. He did not want to have any new difficulties arise out of improper preparation. He believed that in

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E.O. 11652, Section 1
By bc NLE, Date 11/20/78

~~[illegible]~~

certain subjects, where the nuances would be the important thing rather than statistics, it might be better to omit the paper.

The President then called attention to the unusual concern expressed by certain Congressmen recently over how Cabinet members were being confronted with too many demands for appearances on the Hill. He recalled his earlier experience in Washington when such appearances were relatively limited and generally at the convenience of the Secretary.

* * * *

Next Meeting - The President indicated that he would be away next week and that arrangements could be made for the Vice President to preside at a meeting if one became necessary.

(The President and Sec. McElroy left the meeting at this point. Gen. Twining, with Mr. Quarles commenting from time to time, gave an extensive presentation of the relative military postures of the United States and the USSR, covering especially - (a) missiles programs; (b) air strength; (c) offensive capabilities; (d) defensive capabilities. He concluded by stressing that, while numbers must be taken into account, no one should be overawed by them. The quality of weapons and basic policies of the government are of greatest importance.)

L. A. Minnich, Jr.

COPIES TO:
- Mrs. Whitman (2) ✓
- Mr. Robert Gray
- Mr. Minnich

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RA - 59-126

February 2, 1959

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 30, 1959:

1. Coordination of Federal Activities for the Aging — CP - 59-46/1

ACTION:

The President approved Cabinet Paper 59-46/1, but made the general suggestion that this new Council and the other Cabinet-level committees should do as much as possible of their work at the Under Secretary or Assistant Secretary level, reserving their requests for Cabinet members' personal attendance to those occasions when major questions and decisions warrant their personal participation.

2. Gifts and Decorations from Foreign Governments -- Report of the Interdepartmental Study Group — CP - 59-80/1

ACTION:

a) The President approved Cabinet Paper 59-80/1 with the proviso that such language as "active field service in times of combat operations" be substituted for "combat services" as used in connection with the receipt of decorations.

b) Following the above revision and the usual legislative clearance through the Bureau of the Budget, the Assistant to the President will work out the most appropriate method of presentation to the Congress.

3. Legislative and Administrative Proposals with Respect to Telecommunications

ACTION:

a) The President approved the recommendations advanced by the Director of the Office of Civil and Defense Mobilization with respect to legislative and administrative steps, i.e.

   i) Strengthening the capacity of OCDM to carry out its presently assigned responsibilities in the field of telecommunications.

   ii) Requesting the Congress to enact statutory authorization for a five-member commission (all members to be appointed by the President) with primary responsibility for making a year-long, comprehensive study of telecommunications policy and organizational problems and for making a report with recommendations to the President, and, within the limits of security, to the Congress.

4. Departmental Fact Papers for Leadership Meetings

ACTION:

The President approved the following new procedures for preparation for Leadership meetings:

a) The agenda to be composed by the previous Thursday;

b) Cabinet members concerned to be assigned the responsibility of preparing brief fact sheets containing factual and statistical, but not argumentative, material;

c) These fact sheets to be approved personally by the Cabinet member and submitted on Fridays to the Bureau of the Budget for any necessary coordination;

d) The fact sheets to be distributed in advance by the White House Staff, on Mondays, to the participants in the meeting.

5. Post-Cabinet Briefing on U. S. and U.S.S.R. Missile Capabilities

ACTION:

This comprehensive briefing was noted and discussed by the Cabinet.

ADDITIONAL ITEMS:

A. Public Support for a Balanced Budget

ACTION:

The President asked that each Cabinet member send immediate personal communications to a significant number of appropriate citizens to enlist their public support for the President's program and the balanced budget. By way of illustration he noted specifically the airports and housing bills which are now under Senate Committee consideration and scheduled for early Senate action.

Robert Gray
Secretary to the Cabinet

Approved by the President

February 2, 1959

THE WHITE HOUSE
WASHINGTON

January 29, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 30, 1959

The following are the items listed on the agenda for Friday's meeting:

A. Public Support for a Balanced Budget

You wish to ask the members of the Cabinet to call upon their friends and associates to encourage public support for your balanced budget.

1. Coordination of Federal Activities for the Aging (Dr. Flemming)

After an approved Sub-Cabinet paper of March 1955 and a Cabinet Paper in February 1956, you established the Federal Council on Aging in April of 1956. It has been functioning at the Assistant Secretary level; its Chairman has been an Assistant Secretary of Labor. Secretaries Flemming and Mitchell want to strengthen the Council in view of the increased public emphasis on the problems of the aged. They are recommending a Cabinet-level group, chaired by Secretary Flemming.

2. Gifts and Decorations from Foreign Governments -- Report of the Interdepartmental Study Group (Mr. Herter)

Approved Cabinet Paper 58-80 of May 16, 1958 instructed the Secretary of State to establish an ad hoc interdepartmental group to "obtain full information on the policies and practices of the Federal agencies most frequently affected by this problem, analyze this information from the point of view of consistency and legality, and prepare appropriate recommendations, including, if needed, proposals for legislative action, for Cabinet consideration."

This presentation will recommend that the Administration propose a Gifts and Decorations Act to ensure consistency throughout the Executive Branch.

3. Legislative and Administrative Proposals with Respect to Telecommunications

(Governor Hoegh)

Growing out of the Cabinet discussion of this subject on August 15 (See Tab 3), Governor Hoegh is now ready to present to you and the Cabinet the results of his study and plans re the development of a national telecommunications policy.

4. Departmental Fact Papers for Leadership Meetings

(Mr. Harlow)

As part of your current efforts to improve Executive-Congressional liaison, Bryce Harlow will explain the use of departmental fact sheets at Leadership Meetings.

5. Post-Cabinet Briefing on U.S. and U.S.S.R. Missile Capabilities

Secretary McElroy has asked for this opportunity to present to the members of the Cabinet his briefing on the above subject and our general defense posture.

The more significant parts of this presentation are already known to you; the presentation is, therefore, listed as a post-Cabinet item on the assumption that you would not wish to stay for it.

Robert Gray

Robert Gray
Secretary to the Cabinet

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CP - 59-46/1

January 28, 1959

The White House
Washington

THE CABINET

Coordination of Federal Activities for the Aging

For consideration by the Cabinet, attached is a paper prepared by the Secretary of Health, Education and Welfare in consultation with the Department of Labor and the Bureau of the Budget.

The paper discusses the Federal Council on Aging which was originally established on April 2, 1956 by Presidential letter following Sub-Cabinet and Cabinet discussion (SCP - 2/1, CP - 46, and RA - 44, Item 4). The Presidential documents involved are attached to this paper.

The following paper is submitted for the concurrence of the Cabinet and the approval of the President.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Consideration

CP - 59-46/1

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January 28, 1959

The White House

Washington

THE CABINET

Coordination of Federal Activities for the Aging

Problem: Revitalization of the Federal Council on Aging

Discussion: (1) The various Federal agencies are distributing more than $12 billion annually for benefits and services for the aged. For example: The chief element of this expenditure is social security, administered by the Department of Health, Education, and Welfare, which also has programs in public health, medical research, and rehabilitation having a bearing on the aged population. The Department of Labor is actively promoting increased employment opportunities for older workers through the Federal-State employment service system. The Housing and Home Finance Administration has an expanding program of housing aids for older citizens. The Veterans Administration has large hospital and pension programs which provide help to aged veterans.

Although these programs are carried out by different agencies, they affect the same segment of our population. They need constant review so that the Federal Government's overall approach will be as effective as possible under existing fiscal limitations.

(2) The number of aging in our population now is 15 million and it will increase to 22 million by 1975. Also, there are 35 million individuals who are in the age 45-64 group. There are now 50 million middle-aged and older individuals who have a personal interest in positive solutions to problems in aging ahead of them. Since 1900, estimated life expectancy has been extended from 49 years to 70. It is expected that the future will see not only more people living longer, but that life expectancy will be extended beyond that 70 years.

(3) There is growing legislative interest in aging. More than 700 bills were introduced in the 85th Congress. Many are being reintroduced in the present Congress. The Senate Labor and Welfare Committee is beginning a major inquiry into the problems of the aging.

(4) Committees on aging have been set up in 33 States and in many local communities. The White House Conference on Aging in January 1961, required by congressional enactment, will present a great opportunity for increasing State, local, and private cooperation with the Federal Government in these multiplying activities.

(5) In 1956, to counter pressures for a separate Bureau on Aging, the Federal Council on Aging, presently composed of 13 Departments and Agencies, was created to review, coordinate, and make recommendations on aging programs of the Federal Government.

(6) This Council has served a useful purpose but it is handicapped because it (a) is too large; (b) was organized with representation at Sub-Cabinet or lower level, (c) has had a rotating chairmanship, and (d) lacks adequate staff resources. These factors have prevented it from serving in an effective capacity.

Recommendations:

(1) That the President reconstitute the Federal Council on Aging at the Cabinet level, with the Secretary of Health, Education, and Welfare as a permanent chairman. Membership should be limited to the Departments or Agencies with significant continuing programs for the Nation's aging, but provision should be made for ad hoc participation by other agencies. The Departments and Agencies in their respective areas will continue to carry out their statutory responsibilities.

(2) That the Council promptly initiate and carry on a continuing review of Federal programs for the aging and make a recommendation from time to time on how needs in this field can be better met. At the onset, it will prepare an analysis and evaluation of existing programs. It also will take the lead in interagency preparations for the White House Conference on Aging and carry out other interagency projects as may be needed from time to time.

(3) That more adequate financial resources be provided for the Council through agency contributions in proportion to their programs for the aging. This should be adequate for an executive director and such other staff as needed, to be appointed by the chairman. Also participating agencies should designate individuals within their own organizations as needed to carry out Council projects.

Implementation: If the President approves these recommendations, an appropriate directive for his signature will be prepared by the Secretary of Health, Education, and Welfare in cooperation with other agencies principally affected.

The Chairman of the Council will submit periodic progress reports to the President.

Concurrences: The Secretary of Health, Education, and Welfare
The Secretary of Labor

Attachments:

Exchange of correspondence between the President and The Honorable H. Alexander Smith, United States Senate, dated March 21, 1956.

Memorandum from the President to the heads of certain Departments and Agencies, dated April 2, 1956.

IMMEDIATE RELEASE   March 21, 1956

James C. Hagerty, Press Secretary to the President

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THE WHITE HOUSE

The White House today made public the
following exchange of correspondence
between the President and The Honorable
H. Alexander Smith, United States Senate

The President's letter is as follows:

Dear Senator Smith:

Your concern about the future for older persons in our society is shared by me and by large numbers of our citizens.

The first half of this century has witnessed phenomenal improvements in the health of our citizens and equally striking increases in our productive capacity and in our standard of living. These are the achievements of a free and prosperous society. They have also profoundly altered many of our ways of life.

One of the most significant changes that has taken place is the marked extension of the years of our life expectancy -- it has doubled since our country was founded. Our nation now must learn to take advantage of the full potential of our older citizens -- their skills, their wisdom, and their experience. We need those traits fully as much as we need the energy and boldness of youth.

In considering the changed circumstances presented by the lengthening life span, we must recognize older persons as individuals -- not a class -- and their wide differences in needs, desires, and capacities. The great majority of older persons are capable of continuing their self-sufficiency and usefulness to the community if given the opportunity. Our task is to help in assuring that these opportunities are provided.

All of our people, I believe, share the same objectives in this regard: (1) to help make it possible for older persons who desire and are able to work to continue their productive lives through suitable gainful employment; (2) to remove the fear of destitution in the later years; (3) to stimulate the construction of housing and the provision of living arrangements suited to the needs and preferences of older people; (4) to improve health during the later years through research into the aging process and the causes of chronic disease, by making health services more readily available, and by better nutrition; and (5) to help encourage, within our communities, increased opportunities for participation by older persons in civic affairs and voluntary services, and for sharing in the educational, recreational, social, and spiritual life of the community.

Obviously the Federal Government alone cannot and should not undertake to meet all these needs. Where assistance is needed, much of the initiative is rightly being taken by the States and communities, and by families, employers, labor organizations, voluntary groups, and religious bodies throughout the country.

The Federal Government can, however, be a helpful partner in many ways. For example, broadened and increased social security benefits lessen the fear of destitution on the part of our older citizens. Helping to keep the value of the retirement dollar stable has tremendous significance for them. Increased employment opportunities for older persons, in recognition of their desire and continuing capacity for productive work, add to their security and their sense of worth to society. Improved facilities for the promotion of health and for care and rehabilitation contributes to our older citizens' peace of mind and physical well-being. All of these things have been and are being accomplished by or with the help of the Federal Government. They represent significant steps toward improvement of the circumstances of older persons, and help make it possible for most older persons to meet their needs on their own.

more   (OVER)

With respect to current planning in the field of aging, the Administration is working actively and on a coordinated basis. Our basic approach has been (1) to place maximum emphasis on individual freedom and responsibility, and (2) to seek maximum utilization of existing programs and agencies. The sum total of the budget and legislative proposals for next year permits a comprehensive approach toward meeting the challenge of aging in our population. These plans have been developed by the several Departments and Agencies which have long had programs benefiting older persons.

In order to insure full coordination of the activities of these Departments and Agencies, I am establishing shortly a Federal Council on Aging. This Council, comprised of representatives of 12 Departments and Agencies, will be of great value in achieving a more effective Government-wide approach to the needs of our older citizens.

The Secretary of Health, Education, and Welfare, in collaboration with other Departments and Agencies, has prepared, at my request, a memorandum on Federal activities and plans in the field of aging. I am sure you will be interested in this memorandum, and I am enclosing a copy for your information.

Sincerely,

DWIGHT D. EISENHOWER

Senator Smith's letter to the President is as follows:

Dear Mr. President:

As more and more people reach the later years of life, we in the Congress are increasingly asked questions about jobs for older people, retirement income, medical expenses resulting from chronic disease, and other problems. We are, of course, seeking sound answers to these questions, and various measures have already been introduced in the Congress.

You have spoken many times of your concern for the welfare of older persons, and I know that you and your Administration have given thought to these problems. I also understand that the Executive Branch has had an informal coordinating group working in the field of aging in the past year. As the ranking minority member of the Senate Committee on Labor and Public Welfare I believe that the Congress would be greatly aided if you could advise us of the thinking of the Executive Branch with respect to: (a) the special problems of older persons, (b) the over-all approach the Federal Government should take with respect to these problems; and (c) the activities and plans of the Executive Branch directed toward the improvement of the circumstances of older persons.

I am sure that all members of Congress would appreciate receiving the benefit of your views on this important question.

Always cordially yours,

H. ALEXANDER SMITH

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IMMEDIATE RELEASE April 3, 1956

James C. Hagerty, Press Secretary to the President

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THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING MEMORANDUM FROM THE PRESIDENT TO THE HEADS OF CERTAIN DEPARTMENTS AND AGENCIES OF THE GOVERNMENT

April 2, 1956

MEMORANDUM TO:

The Secretary of the Treasury
The Secretary of the Interior
The Secretary of Agriculture
The Secretary of Commerce
The Secretary of Labor
The Secretary of Health, Education, and Welfare
The Director of the Office of Defense Mobilization
The Chairman of the United States Civil Service Commission
The Administrator of Veterans Affairs
The Housing and Home Finance Administrator
The Administrator of the Small Business Administration
The Director of the National Science Foundation

I desire to establish on a broader and more permanent basis the present Interdepartmental Working Group on Aging.

The marked rise in the number of older persons in our population has a continuing and fundamental impact on our society. Scientific advances in the field of health and the increased productivity of farms and factories have brought the blessings of long life and prosperity to the American people as a whole. The added years which most of our population can expect should be years of health, usefulness and contentment for the individual, and a source of strength to the Nation.

In considering the changed circumstances presented by the lengthening life span, we must recognize older persons as individuals -- not a class -- and their wide differences in needs, desires, and capacities. The great majority of older persons are capable of continuing their self-sufficiency and usefulness to the community if given the opportunity. Our task is to help in assuring that these opportunities are provided.

To achieve this, and to assure that our older citizens are able to participate fully and effectively in the life of the community, emphasis should be placed on improvement in such areas as:

1. Preservation of physical and mental health, and rehabilitation
2. Income maintenance
3. Employment and retirement
4. Housing, living arrangements and family relationships
5. Education, civic participation, and recreation.

more (over)

Within these fields lie new opportunities and responsibilities for greater participation by all our social institutions -- secular and religious organizations, and local, State and Federal Government.

In the Federal Government, activities and programs benefiting older persons are conducted in a number of agencies which administer health, welfare, housing, employment, and other programs affecting the population as a whole. These departments and agencies are charged with the basic responsibilities and have a wealth of experience and expert staff in their respective fields. They must continue to carry on their basic responsibilities. To supplement their efforts, there is a further need for coordinated policy development, planning and programming so that the departments and agencies can work together toward common objectives with a minimum of duplication and waste effort.

To this end, I request that each of you designate a representative from your own Department or Agency to act with the other representatives so designated as a Federal Council on Aging. It will be the function of the Council to review existing programs in the light of emerging needs, and make recommendations to the appropriate departments and agencies as to emphases, priorities and provisions for unmet needs. Initiation of new programs and activities, and changes in existing policies will remain the responsibility of heads of the departments or agencies directly affected.

The Council will make its own arrangements as to Chairmanship, meetings, procedures, enlarging membership, and appropriate periodic reports. I request the Secretary of Health, Education, and Welfare to provide secretariat services for the Council and be responsible for the initiation of Council meetings and transmittal of reports to me.

DWIGHT D. EISENHOWER

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CABINET PAPER—PRIVILEGED

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CP - 59-46/2

March 7, 1959

The White House

Washington

THE CABINET

Reconstitution of the Federal Council on Aging

The attached approved paper is circulated for action by the Secretary of Health, Education, and Welfare and by the heads of the Departments and Agencies which will be participating in the work of the Federal Council on Aging.

The recommendations of this paper were approved by the President at the Cabinet meeting of January 30, 1959 (RA - 59-126, Item 1). The President today signed the implementing letters; the letter from the President to Secretary Flemming, the Chairman of the Council, is appended to this paper. Having been released from the White House today, the letter is not privileged.

The Council, like the other Cabinet Committees, will function in accordance with the President's suggestion made at the January 30 Cabinet meeting, i.e.: "... that this new Council and the other Cabinet-level committees should do as much as possible of their work at the Under Secretary or Assistant Secretary level, reserving their requests for Cabinet Members' personal attendance to those occasions when major questions and decisions warrant their personal participation."

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

CP - 59-46/2

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March 7, 1959

The White House

Washington

THE CABINET

Coordination of Federal Activities for the Aging

Problem: Revitalization of the Federal Council on Aging

Discussion:

(1) The various Federal agencies are distributing more than $12 billion annually for benefits and services for the aged. For example: The chief element of this expenditure is social security, administered by the Department of Health, Education, and Welfare, which also has programs in public health, medical research, and rehabilitation having a bearing on the aged population. The Department of Labor is actively promoting increased employment opportunities for older workers through the Federal-State employment service system. The Housing and Home Finance Administration has an expanding program of housing aids for older citizens. The Veterans Administration has large hospital and pension programs which provide help to aged veterans.

Although these programs are carried out by different agencies, they affect the same segment of our population. They need constant review so that the Federal Government's overall approach will be as effective as possible under existing fiscal limitations.

(2) The number of aging in our population now is 15 million and it will increase to 22 million by 1975. Also, there are 35 million individuals who are in the age 45-64 group. There are now 50 million middle-aged and older individuals who have a personal interest in positive solutions to problems in aging ahead of them. Since 1900, estimated life expectancy has been extended from 49 years to 70. It is expected that the future will see not only more people living longer, but that life expectancy will be extended beyond that 70 years.

(3) There is growing legislative interest in aging. More than 700 bills were introduced in the 85th Congress. Many are being reintroduced in the present Congress. The Senate Labor and Welfare Committee is beginning a major inquiry into the problems of the aging.

(4) Committees on aging have been set up in 33 States and in many local communities. The White House Conference on Aging in January 1961, required by congressional enactment, will present a great opportunity for increasing State, local, and private cooperation with the Federal Government in these multiplying activities.

(5) In 1956, to counter pressures for a separate Bureau on Aging, the Federal Council on Aging, presently composed of 13 Departments and Agencies, was created to review, coordinate, and make recommendations on aging programs of the Federal Government.

(6) This Council has served a useful purpose but it is handicapped because it (a) is too large; (b) was organized with representation at Sub-Cabinet or lower level, (c) has had a rotating chairmanship, and (d) lacks adequate staff resources. These factors have prevented it from serving in an effective capacity.

Recommendations:

(1) That the President reconstitute the Federal Council on Aging at the Cabinet level, with the Secretary of Health, Education, and Welfare as a permanent chairman. Membership should be limited to the Departments or Agencies with significant continuing programs for the Nation's aging, but provision should be made for ad hoc participation by other agencies. The Departments and Agencies in their respective areas will continue to carry out their statutory responsibilities.

(2) That the Council promptly initiate and carry on a continuing review of Federal programs for the aging and make a recommendation from time to time on how needs in this field can be better met. At the onset, it will prepare an analysis and evaluation of existing programs. It also will take the lead in interagency preparations for the White House Conference on Aging and carry out other interagency projects as may be needed from time to time.

(3) That more adequate financial resources be provided for the Council through agency contributions in proportion to their programs for the aging. This should be adequate for an executive director and such other staff as needed, to be appointed by the chairman. Also participating agencies should designate individuals within their own organizations as needed to carry out Council projects.

Implementation: If the President approves these recommendations, an appropriate directive for his signature will be prepared by the Secretary of Health, Education, and Welfare in cooperation with other agencies principally affected.

The Chairman of the Council will submit periodic progress reports to the President.

Concurrences: The Secretary of Health, Education, and Welfare
The Secretary of Labor

IMMEDIATE RELEASE March 7, 1959

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING LETTER FROM THE PRESIDENT TO THE HONORABLE ARTHUR S. FLEMMING, SECRETARY OF HEALTH, EDUCATION AND WELFARE, RECONSTITUTING THE FEDERAL COUNCIL ON AGING AT CABINET LEVEL.

March 7, 1959

Dear Mr. Secretary:

In recognition of the growing national importance of the needs and problems of our aging population, I have concluded that the present Federal Council on Aging, established by Presidential memorandum of April 2, 1956, should be strengthened.

The various resources and programs of the Federal Government must be utilized and coordinated in such a way as to provide maximum assistance in this field, consistent with Federal responsibility to State and local governments, to private groups, and to individuals themselves.

Accordingly, I am hereby reconstituting the Federal Council on Aging at Cabinet level.

It is my desire that this Council aid the various Federal agencies in improving the effectiveness of their programs in the field of aging.

The Council will be composed of the Secretary of Health, Education, and Welfare as Chairman, and of the following additional members:

The Secretary of Agriculture
The Secretary of Commerce
The Secretary of Labor
The Secretary of the Treasury
The Administrator of the Housing and Home Finance Agency
The Administrator of Veterans Affairs

I shall expect you as Chairman of the Council to invite those Federal departments and agencies that are not permanent members of the Council such as the Department of Defense, Civil Service Commission, Railroad Retirement Board, and National Science Foundation to participate when matters which are in their areas of responsibility come under consideration by the Council. Provision also will be made for the Department of State and the Bureau of the Budget to have observers attend meetings of the Council.

Federal departments and agencies in their respective areas will continue to carry out their individual statutory responsibilities in the field of aging, cooperating with one another through the Council where appropriate and furnishing the Council such information and assistance, not inconsistent with law, as may be required for this cooperation.

(More)

Support of a small staff for the Council shall be by contribution of the permanent participating agencies subject to law. I request you, as Chairman, to work out with such agencies a suitable scale of contribution which should bear a relation to the scope of the responsibility of each in the field of aging. Agencies shall designate individuals within their own organizations as needed to carry out projects approved by the Council.

The Council is directed to initiate promptly and carry on continuing reviews of Federal programs for the aging and make recommendations to me and to the interested departments and agencies from time to time on how needs in this field can be better met.

At the onset, the Council shall prepare an analysis and evaluation of existing programs which I would like to have by September 30, 1959, at the latest. This analysis should appraise the various Federal programs which affect the older people in our population and identify any areas in which further changes need to be considered in order to help extend the period of productive, healthy, and comfortable lives for people in this group.

The Council shall cooperate and assist the Secretary of Health, Education, and Welfare, as may be appropriate, in planning and coordinating the White House Conference on Aging. It shall also carry out other interagency projects as may be appropriate and needed from time to time.

I shall look forward to receiving from you as Chairman periodic reports on the progress and recommendations of the Council.

Sincerely,

DWIGHT D. EISENHOWER

The Honorable Arthur S. Flemming
Secretary of Health, Education, and Welfare
Washington, D. C.

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CP - 59-80/1

January 26, 1959

The White House

Washington

THE CABINET

For consideration by the Cabinet, attached is a Report and Annexes submitted by the Secretary of State.

This Report has been prepared by the Interdepartmental Study Group on Gifts, established in May of 1958 pursuant to approved Cabinet Paper 58-80.

The Report has been edited in a way which will assist the Cabinet to concentrate on its Recommendation: that the Administration submit a "Foreign Gifts and Decorations Act" to the Congress. This Recommendation appears on page 7, and the suggested text of the proposed Act appears as Annex A to this Report. An explanation of the provisions of the proposed Act is contained on pages 5 through 7 of this paper.

Other Annexes (B-H) are attached which provide helpful background material concerning this subject.

The attached paper is submitted for the concurrence of the Cabinet and the approval of the President.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Consideration

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CABINET PAPER—PRIVILEGED CP - 59-80/1

Property of the White House—For Authorized Persons Only January 26, 1959

THE CABINET

Report of the Interdepartmental Study Group on Gifts from Foreign Governments

The Interdepartmental Study Group, established pursuant to Cabinet Paper 58-80, has completed its study of the problem of achieving uniformity of policy and procedure with respect to the disposition of gifts from foreign governments to personnel of the Executive branch.

The Constitution prohibits Government personnel "holding an office of profit or trust" from accepting any gift "of any kind whatever" from a foreign government, without the consent of Congress. Statutes supplement this conditional prohibition. However, departmental and agency practice has been varied.

I. Conclusions

The Study Group has reached the following conclusions:

1. There are two principal alternative methods of achieving uniformity of policy and procedures throughout the Executive branch:

(a) Executive action either (i) completely prohibiting the receipt of gifts, or (ii) requiring literal adherence to the statutory direction that all gifts received be deposited by Executive branch personnel. No legislation is required for such action.

(b) The enactment of legislation giving the consent of Congress in advance to the receipt and retention by Executive branch personnel of certain limited categories of gifts tendered by foreign governments.

2. A complete prohibition on the receipt and retention of gifts is neither constitutionally required, necessary to prevent conflicts of interest, corruption, or foreign influence, nor appropriate in terms of diplomatic practice. Penal sanctions in the criminal code are generally adequate to guard against misconduct. A complete prohibition or the requirement that all gifts without regard to nature or value be deposited would be difficult and burdensome to administer effectively. Moreover, a complete prohibition, literally enforced, would be likely to have an adverse effect on foreign relations by causing offense to foreign officials and their governments.

3. Personnel of the Executive branch may properly be permitted to receive and retain certain gifts under limited conditions in accordance with uniform procedures providing safeguards against the possibility of improper influence. Therefore, it is recommended that the Executive branch propose enactment of legislation consenting in appropriate cases, to such receipt and retention.

The Study Group has prepared a bill for this purpose entitled the "Foreign Gifts and Decorations Act of 1959" (Annex A). The bill would apply to all persons appointed to positions in the Executive branch and to members of the armed forces. The bill would not apply to personnel of the Legislative or Judicial branches, since the terms of reference of the Study Group refer only to personnel of the Executive branch.

The bill would authorize receipt of a gift from a foreign government under circumstances where refusal or return of the gift would be likely to cause offense or embarrassment that would adversely affect the foreign relations of the United States. A gift received under these circumstances might be retained by the recipient, without deposit, if the recipient's superior determines that it has no substantial intrinsic or resale value. Otherwise, the gift must be deposited with the Secretary of State or a depositary designated by him.

A deposited gift would be returned to the recipient only if an interagency Gifts Board determined, under standards specified in the bill and such additional standards as might be prescribed by the Secretary of State, that there is no objection to such return. Congress would be given an annual report of favorable determinations by the Gift Board. Sixty days after Congress has received the report, the gifts may be returned. The bill would also provide that gifts not returned shall be treated as having been accepted on behalf of the United States and authorize the Secretary of State to make appropriate disposition of such items.

The bill would rely primarily upon the devices of disclosure, publicity, objective administrative decision, and Executive and Congressional surveillance to accomplish its purposes, rather than on penal sanctions.

4. The subject of decorations was not literally within the Study Group's terms of reference. However, the constitutional provision has been consistently interpreted by Congress and the Executive as applying to both gifts and decorations. It is recommended, therefore, that the Cabinet consider the desirability of their common treatment.

The attached draft Act in Annex A provides generally uniform treatment of both gifts and decorations.

This bill would authorize receipt of a decoration from a foreign government when it was tendered in recognition of combat services or of personal heroism, or, in any other case, under circumstances where refusal or return of the decoration would be likely to cause offense or embarrassment that would adversely affect the foreign relations of the United States. A decoration might be retained by the recipient without deposit if it were tendered in recognition of combat services or personal heroism as determined by the head of the recipient's department or agency. All decorations tendered for reasons other than the above would be deposited with the Secretary of State or an official designated by him. A deposited decoration would be returned to the recipient only after a determination by an interagency Gifts and Decorations Board under procedures identical to those provided for in the case of gifts. The bill would further provide that a decoration retained or returned in accordance with the provisions of the bill might be worn or displayed.

The Study Group recommends that a bill similar to this draft Act be submitted to the Congress, following the usual review by the Bureau of the Budget.

II. Background

Establishment of the Study Group

The Interdepartmental Study Group on Gifts from Foreign Governments was established pursuant to Cabinet Paper 58-80, approved by the President May 16, 1958. The Chairman of the Committee on Government Operations of the United States Senate had previously written the President stating that "there should be unanimity of procedure and policy throughout the Executive branch /with respect to the acceptance and disposition of gifts from foreign governments/, and I recommend for your consideration the promulgation of an Executive Directive in order to guide the agencies in their application of the constitutional provision".

The Study Group was charged with responsibility for obtaining information on the policies and practices of the Federal agencies frequently affected by this problem, analyzing this information from the point of view of consistency and legality and preparing recommendations for the consideration of the Cabinet including, if necessary, proposals for legislative action. While these terms of reference did not expressly include the subject of decorations, in view of the close relationship of the two problems, consideration of decorations was necessary to a complete understanding of the gifts problem.

The Chairman of the Study Group was Mr. Loftus Becker, Legal Adviser of the Department of State. The Study Group included in its membership representatives of those departments and agencies primarily concerned (listed in Annex B).

Constitution and Statutes

The Constitution and a number of statutes prohibit the acceptance by officers of the United States of gifts or decorations "of any kind whatever" from foreign governments, without the consent of Congress.

Article I, Section 9, clause 8 of the Constitution provides:

> "No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State."

Statutes prohibit the retention of gifts and decorations and require them to be deposited with the Department of State (5 U.S.C. §115, 22 U.S.C. §804). Section 527(e) of the Mutual Security Act of 1954, as amended, prohibits persons performing functions under that Act from accepting from any foreign nation any compensation or other benefits (to be codified as 22 U.S.C. §1787(e)). Other statutes prohibit public display of decorations (5 U.S.C. §114) and direct the Secretary of State to furnish Congress periodically with a list of retired personnel for whom gifts or decorations are being held (5 U.S.C. §115a). (These statutes are set forth at Annex C).

The criminal code prohibits government personnel from soliciting or accepting bribes (18 U.S.C. §202), from receiving any compensation from non-governmental sources for services in relation to any matter in which the United States is a party or is interested

(18 U.S.C. §281), and from receiving salary in connection with official duties from non-governmental sources (18 U.S.C. §1914). (These statutes are set forth at Annex D).

Congress has occasionally consented to the acceptance of gifts and decorations, as in legislation authorizing members of the Armed Services to accept and wear decorations tendered in World Wars I and II and in the Berlin Airlift (Acts of July 9, 1918, 40 Stat. 872; July 20, 1942, 56 Stat. 662; May 15, 1947, 60 Stat. 94; August 1, 1947, 61 Stat. 715; May 5, 1950, 64 Stat. 106.) Laws enacted in 1934 (Act of June 27, 1934, 48 Stat. 1267) and in 1958 (Private Law 85-704 of August 27, 1958) have further consented to the acceptance of substantial numbers of specifically listed gifts and decorations.

Interpretation and Practice

The courts have not had occasion to interpret the constitutional provision. The Office of the Attorney General has interpreted the prohibition as applicable to gifts of trivial monetary value, specifically a photograph (24 Op. A.G. 116, 117, 1902). There is appended as Annex H, a memorandum prepared by the Department of Justice entitled "Historical Survey re Gifts from Foreign Monarchs and Governments to Government Officials".

Until recently, little attention was paid to the acceptance and disposition of gifts from foreign governments. Departmental and agency practice has varied.

Express regulations in this regard have been promulgated by departments and agencies performing substantial functions abroad. Some of these regulations prohibit the receipt of both gifts and decorations; others prohibit the receipt of decorations. Still other regulations permit the receipt of a gift where there is no indication of improper intent and refusal or return would be offensive to the donor and might injure international relations. In such a case it is required that the gift be deposited with the Department of State. Under State Department Circular 277 of November 13, 1957 (set forth as Annex F) if the gift received under such circumstances is of only minor intrinsic value, it may be retained in accordance with the principle "de minimis non curat lex".

A gift or decoration deposited with the Department of State is redelivered to the donee only when Congress has consented to acceptance or when the donee has severed all connections with the Government service and is not receiving a retirement annuity. When the donee has died, the gift or decoration is ordinarily redelivered to the donee's legal representative.

The President has directed that requests for the consent of Congress to the acceptance of gifts and decorations shall be submitted by the Executive branch only for retired personnel. Prior to this directive it was sometimes the practice to submit such requests on behalf of both active and retired personnel. An omnibus bill requesting consent on behalf of retired personnel is prepared by the Department of State and submitted to Congress every fourth year. (Letter from the President to the Heads of Executive Departments and Establishments, April 13, 1954, set forth as Annex E).

Factual Considerations

Until recently, few gifts were deposited; in fact, only one gift was deposited with the Department of State from 1950 to 1956. In contrast, about 300 decorations were deposited yearly during the same period. Since January 30, 1957, the date of King Saud's visit to the United States, some 270 gifts have been deposited.

The Department of State currently has on deposit about 270 gifts and 3700 decorations (excluding some 6 gifts and 900 decorations recently released by Private Law 85-704).

The Study Group has been informed that many gifts tendered on behalf of foreign governments are accepted in order to avoid appearances of discourtesy and that such gifts are for the most part souvenirs or mementoes of trivial monetary value.

Officials of the United States Government frequently tender gifts and decorations to foreign officials. This serves to maintain good foreign relations and is often required by diplomatic practice and social courtesy.

(Statistics relating to the deposit of gifts and decorations are set forth in Annex G).

III. Explanation of the Proposed "Foreign Gifts and Decorations Act of 1959"

In accordance with the above conclusions, the Study Group has prepared a draft bill. The Study Group strongly recommends the bill, the provisions of which apply to decorations as well as to gifts, to the attention of the Cabinet.

The principal features of the "Foreign Gifts and Decorations Act of 1959" are as follows:

1. Title. Section 1 provides a title for the bill.

2. Persons Covered. The bill would apply to any person who is appointed to a position in the Executive branch or is a member of the armed forces, that is, to employees as well as to officers. The bill would not apply to the President or to the Vice President, since they are elected rather than appointed. Nor would the bill apply to persons within the Legislative or Judicial branches.

The bill would apply to a gift or decoration tendered by a foreign official for allegedly "personal" reasons, as well as one tendered in an official capacity. Except under circumstances where a gift or decoration given to an immediate family member of a person covered by the bill is in reality or in effect given to the person himself, the bill does not cover a gift or decoration to a member of a family. The Study Group recommends that the Executive branch promulgate regulations to the extent permitted by law with respect to acceptance of gifts by such immediate family members. The drafting of such regulations should be deferred until a statute applicable to employees has been enacted.

3. Standards for Receipt of Gifts and Decorations. The bill would prohibit the receipt of a gift or decoration except when refusal or return of the item would be likely to cause offense or embarrassment that would adversely affect the foreign relations of the United States. (An exception to this rule is made with respect to any decoration tendered in recognition of combat services or of personal heroism. Such a decoration may be received even in cases where refusal or return would not be likely to cause offense.) The judgment as to whether refusal or return would cause offense of this nature is made initially by the intended donee. This judgment is subject to review by the recipient's superior officer or an interagency Gifts and Decorations Board, either of whom may refuse to authorize retention of the gift or decoration if of the view that receipt was not warranted.

Prohibition on Acceptance. The bill would prohibit a person from requesting or otherwise encouraging the tender of a gift or decoration tendered under circumstances indicating an intent to influence him in the performance of his duties, provide for a report to the Secretary of State, or his designee, of any such incident, and authorize the Secretary to return or to dispose of the item.

4. Retention of Trivial Gifts. The bill would permit a gift which has been properly received and which possesses no substantial intrinsic or resale value to be retained following a prompt report of such receipt to a superior officer and the superior officer's determination that retention is appropriate under these standards. It is contemplated that regulations will be issued limiting return in such cases to gifts of a value less than a given nominal amount, such as $25. The superior officer must report to the head of his department or agency, or his designee, a determination that a recipient may keep a gift. This will allow executive scrutiny of such determinations.

5. Retention of Decorations Tendered in Recognition of Combat Services or Personal Heroism. The bill would permit a decoration which has been tendered in recognition of combat services or personal heroism to be retained following a prompt report of its receipt to the head of the recipient's department or agency, or his designee, and that officer's determination that the decoration was in fact tendered for one of these reasons and that its retention is not objectionable on other grounds.

6. Retention of Other Gifts and Decorations. The bill would provide that any gift which has more than a minimal value or any decoration which is tendered for reasons other than in recognition of combat services or personal heroism must be promptly deposited with the Secretary of State or such depositary as he may designate. Such a gift or decoration may be returned to the recipient or his legal representative for retention only pursuant to a determination by an interagency Gifts and Decorations Board that there is no objection to such return and retention. The Board is to be composed of experienced Government officials representing those departments and agencies most frequently concerned with this type of problem. The bill directs the Secretary of State to establish procedures for the Board and standards for its guidance but requires the Board to take into consideration the propriety of receipt of a gift or decoration, and the likelihood that its retention might influence the recipient in the performance of his duties or constitute an added payment for the performance of such duties. The Board may in its discretion defer its determination as to any gift or decoration and order the item held in custody. It may wish to do this in cases where it feels return of an item

to a person on active duty is inappropriate, but that there will be no objection to return at such time as the recipient retires from or terminates his employment relationship with the United States, or dies. It is contemplated that the Board will maintain close liaison with the Department of Justice in order to minimize the possibility of the interposition of a favorable determination by the Board as a defense in a criminal prosecution under such criminal provisions as those at 18 U.S.C. §§202, 281, and 1914.

7. Reports to Congress. The bill would require the Secretary of State to furnish to Congress at the beginning of each regular session a full report of those gifts and decorations whose return has been authorized. It is further provided that actual return is not to take place until 60 calendar days have elapsed, thus providing a reasonable period for congressional scrutiny of the report.

8. Display of Decorations. The bill would provide that any decoration retained by or returned to the recipient in accordance with the above provisions may be worn or displayed.

9. Disposition of Gifts Not Returned to the Recipient. The bill would provide that where the Gifts and Decorations Board finds that there is an objection to the return of a gift to the intended recipient, such gift will be considered to have been accepted on behalf of the United States. The Secretary of State is authorized to make such gift available to a department or agency of the United States, as appropriate, or to sell it.

10. Gifts and Decorations Deposited Before Enactment. The bill would provide that gifts and decorations held by the Department of State at the time of the bill's enactment, and those subsequently deposited, shall be treated alike.

11. Regulations. The bill would provide that rules and regulations to carry out its purposes may be prescribed by or under the authority of the President. The Department of Justice considers that this provision will not limit or otherwise restrict the President's authority to establish regulations of a more restrictive nature than those provided in the bill, including the establishment of a complete prohibition on acceptance. As stated above, the Study Group recommends that the Executive branch promulgate regulations to the extent permitted by law with respect to acceptance of gifts by immediate family members of persons covered by the bill.

12. Amendments. Section 12 would provide for the necessary amendments to existing provisions of law.

IV. Recommendations

That:

(1) Subject to the usual review by the Bureau of the Budget, a bill similar to the "Foreign Gifts and Decorations Act of 1959" be submitted to the Congress.

(2) Following the enactment of such legislation, the Executive branch promulgate appropriate implementing regulations to the extent permitted by law.

/s/ Loftus Becker
Loftus Becker
Chairman

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ANNEX A

January 21, 1959

FOREIGN GIFTS AND DECORATIONS ACT OF 1959

AN ACT

To grant the consent and approval of Congress to the acceptance of certain gifts and decorations from foreign governments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Sec. 1. This Act may be cited as the "Foreign Gifts and Decorations Act of 1959".

Sec. 2. In this Act --

(a) "Person" means any person who is appointed to a position in the executive branch of the Government or is a member of the armed forces of the United States, its Territories and possessions, the Canal Zone Government, and the District of Columbia, including any department, agency, or establishment thereof.

(b) "Foreign government" means any foreign government or any official, agent, or representative thereof.

(c) "Gift" means any gift or present to a person tendered by or received from a foreign government.

(d) "Decoration" means any decoration, order, or medal tendered by or received from a foreign government.

Sec. 3. (a) No person shall request or otherwise encourage the tender of a gift or decoration. No person shall receive a gift or decoration (other than a decoration tendered in recognition of combat services or of personal heroism) except under circumstances where refusal or return thereof would be likely to cause offense or embarrassment that would adversely affect the foreign relations of the United States.

(b) In the event that a gift or decoration is tendered to to a person under circumstances indicating an intent to influence him in the performance of his duties, he shall promptly report the relevant facts to the Secretary of State. If the gift or decoration has been received, it shall be promptly deposited with the Secretary of State or an official designated by him. The Secretary of State may direct that it be returned to the donor or may cause it to be disposed of under Section 9.

Sec. 4. (a) Except as provided in Section 4)b), any person receiving a gift shall promptly deposit it with the Secretary of State or an official designated by him.

(b) If a person promptly reports receipt of a gift to his superior officer, and if that officer determines that the circumstances justified receipt of the gift in accordance with the provision of Section 3(a) and that the gift is of no substantial intrinsic or resale value, the person may retain and need not deposit the gift. The superior officer shall report to the head of his department or agency or his designee any determination that the recipient may retain the gift.

Sec. 5. (a) Except as provided in Section 5(b), any person receiving a decoration shall promptly deposit it with the Secretary of State or an official designated by him.

(b) If a person promptly reports receipt of a decoration to the head of his department or agency or his designee, and that officer determines that the decoration was tendered in recognition of combat services or of personal heroism and that there is no objection to the retention of the decoration by the recipient, the person may retain and need not deposit the decoration.

Sec. 6. (a) The Secretary of State shall establish a Gifts and Decoration Board which shall be composed of a representative of the Department of State, who shall be chairman, and of one representative each from the Departments of Agriculture, Commerce, and Defense, the International Cooperation Administration, and the United States Information Agency, designated, respectively, by the heads of such departments and agencies. The chairman may request the head of any other Government department or agency to designate a representative to serve as a member of the Board whenever a gift deposited by a person within that department or agency is under consideration. Members of the Board shall serve without additional compensation.

(b) If a person deposits a gift or decoration under the provisions of Section 4 or 5 of this Act, and if the Gifts and Decorations Board determines that there is no objection to retention of the gift or decoration, it may be returned to him or his legal representative; Provided, That no gift or decoration shall be returned before the end of 60 calendar days immediately following the report of such determination required by Section 7.

(c) The Secretary of State shall establish procedures for the Gifts and Decorations Board and standards for its guidance in making determinations under Section 6(b). Such standards shall include, but need not be limited to, the following --

(1) the circumstances justified receipt of the gift or decoration in accordance with the provisions of Section 3(a);

(2) the gift or decoration cannot reasonably be expected to influence the recipient in the performance of his duties; and

(3) the gift or decoration cannot be considered to constitute payment to the recipient for performance of his duties.

Sec. 7. The Secretary of State shall transmit to Congress at the beginning of each regular session a report of all determinations made by the Board under Section 6(b) since the prior report. The report shall include with respect to each gift or decoration -- the name of the recipient, the department or agency with which he is associated, the foreign government tendering the gift or decoration, a description of the gift and its approximate value, the name of the decoration, and the reason, if known, for which the gift or decoration was tendered.

Sec. 8. Any decoration retained by a person under Section 5(b) of this Act or returned to a person under Section 6(b) of this Act may be worn or displayed.

Sec. 9. If a gift has been deposited and the Gifts and Decorations Board has determined that there is an objection to its retention by the recipient or his legal representative, the gift shall be considered to have been accepted on behalf of the United States. The Secretary of State may thereafter, in his discretion, and notwithstanding the provisions of any other law, --

(a) authorize retention of the gift for the use of a department or agency of the Government of the United States, as may be appropriate, or

(b) authorize disposition of the gift and payment of the proceeds, if any, less the expense of disposition, into the Treasury of the United States.

Sec. 10. Any gift or decoration in the custody of the Secretary of State on the effective date of this Act shall be treated as if deposited with the Secretary of State under the provisions of Sections 4 and 5 of this Act, as appropriate.

Sec. 11. Rules and regulations to carry out the purposes of this Act may be prescribed by or under the authority of the President.

Sec. 12. (a) Section 3 of the Act of January 31, 1881, 21 Stat. 604 (5 U.S.C. 115) is amended by striking out the word "Any" at the beginning of the section and substituting the words "Except as otherwise provided by the Foreign Gifts and Decorations Act of 1959, any".

(b) Section 1002 of the Foreign Service Act of 1946, 60 Stat. 1030, as amended, (22 U.S.C. 804) is amended by striking out the word "An" at the beginning of the section and substituting the words "Except as otherwise provided by the Foreign Gifts and Decorations Act of 1959, an".

(c) Section 602(d) of the Federal Property and Administrative Services Act of 1949, 63 Stat. 402, as amended, (40 U.S.C. 474) is amended by deleting the semicolon at the end of the paragraph (7), substituting a comma, and adding thereafter the words "and the Foreign Gifts and Decorations Act of 1959".

State - FD, Wash., D. C.

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ANNEX B

ESTABLISHMENTS SENDING REPRESENTATIVES TO THE INTERDEPARTMENTAL STUDY GROUP

Department of Agriculture
Atomic Energy Commission
Bureau of the Budget
Central Intelligence Agency
Department of Commerce
Department of Defense
Export-Import Bank of Washington
International Cooperation Administration
Department of Justice
Department of Labor
Department of State
Department of the Treasury
United States Information Agency
The White House Office

ANNEX C

STATUTES RELATING TO THE ACCEPTANCE OF GIFTS AND DECORATIONS FROM FOREIGN GOVERNMENTS

5 U.S.C. 114. Foreign decorations.

No decoration, or other thing, the acceptance of which may be authorized by consent of Congress, by any officer of the United States, from any foreign government, shall be publicly shown or exposed upon the person of the officer so receiving the same. (Jan. 31, 1881, ch. 32, § 2, 21 Stat. 604.)

5 U.S.C. 115. Same; delivery through State Department.

Any present, decoration, or other thing, which shall be conferred or presented by any foreign government to any officer of the United States, civil, naval, or military, shall be tendered through the Department of State, and not to the individual in person, but such present, decoration or other thing shall not be delivered by the Department of State until so authorized by act of Congress. (Jan. 31, 1881, ch. 32, § 3, 21 Stat. 604.)

5 U.S.C. 115a. Same; furnishing list of recipients to Congress.

The Secretary of State is directed to furnish to the Seventy-fifth Congress and to each alternate Congress thereafter a list of those retired officers or employees of the United States for whom the Department of State under the provisions of section 115 of this title, is holding decorations, orders, medals, or presents tendered them by foreign governments. (June 27, 1934, ch. 850, § 2, 48 Stat. 1267.)

22 U.S.C. 804. Same; acceptance of presents by officers or employees.

An officer or employee of the [Foreign] Service shall not ask or, without the consent of the Congress, receive, for himself or any other person, any present, emolument, pecuniary favor, office or title from any foreign government. A chief of mission or other principal officer may, however, under such regulations as the President may prescribe, accept gifts made to the United States or to any political subdivision thereof by the government to which he is accredited or from which he holds an exequatur. (Aug. 13, 1946, ch. 957, title X, § 1002, 60 Stat. 1030.)

Section 401(e) of the Mutual Security Act of 1958, 72 Stat. 269
[to be codified as 22 U.S.C. 1787]

(e) Notwithstanding the provisions of title 10, United States Code, section 712, or any other law containing similar authority, officers and employees of the United States performing functions under this Act shall not accept from any foreign nation any compensation or other benefits. Arrangements may be made by the President with such nations for reimbursement to the United States or other sharing of the cost of performing such functions.

ANNEX D

RELEVANT CRIMINAL STATUTES

18 U.S.C. 202. Acceptance or solicitations by officer or other person.

Whoever, being an officer or employee of, or person acting for or on behalf of the United States, in any official capacity, under or by virtue of the authority of any department or agency thereof, or an officer or person acting for or on behalf of either House of Congress, or of any committee of either House, or of both Houses thereof, asks, accepts, or receives any money, or any check, order, contract, promise, undertaking, obligation, gratuity, or security for the payment of money, or for the delivery or conveyance of anything of value, with intent to have his decision or action on any question, matter, cause, or proceeding which may at any time be pending, or which may be law be brought before him in his official capacity, or in his place of trust or profit, influenced thereby, shall be fined not more than three times the amount of such money or value of such thing or imprisoned not more than three years, or both; and shall forfeit his office or place and be disqualified from holding any office of honor, trust, or profit under the United States.

This section shall not apply to violations of section 213 of this title. (June 25, 1948, ch. 645, § 1, 62 Stat. 691.)

18 U.S.C. 281. Compensation to Members of Congress, officers and other in matters affecting the Government.

Whoever, being a Member of or Delegate to Congress, or a Resident Commission, either before or after he has qualified, or the head of a department, or other officer or employee of the United States or any department or agency thereof, directly or indirectly receives or agrees to receive, any compensation for any services rendered or to be rendered, either by himself or another, in relation to any proceeding, contract, claim, controversy, charge, accusation, arrest, or other matter in which the United States is a party or directly or indirectly interested, before any department, agency, court martial, officer, or any civil, military, or naval commission, shall be fined not more than $10,000 or imprisoned not more than two years, or both; and shall be incapable of holding any office of honor, trust, or profit under the United States.

Retired officers of the armed forces of the United States, while not on active duty, shall not by reason of their status as such be subject to the provisions of this section. Nothing herein shall be construed to allow any retired officer to represent any person in the sale of anything to the Government through the department in whose service he holds a retired status.

This section shall not apply to any person because of his membership in the National Guard of the District of Columbia nor to any person specially excepted by Act of Congress. (June 25, 1948, ch. 645, § 1, 62 Stat. 697; May 24, 1949, ch. 139, § 6, 63 Stat. 90.)

18 U.S.C. 1914. Salary of Government officials and employees payable only by United States.

Whoever, being a Government official or employee, receives any salary in connection with his services as such an official or employee from any source other than the Government of the United States, except as may be contributed out of the treasury of any State, county, or municipality; or

Whoever, whether a person, association, or corporation, makes any contribution to, or in any way supplements the salary of, any Government official or employee for the services performed by him for the Government of the United States --

Shall be fined not more than $1,000 or imprisoned not more than six months, or both. (June 25, 1948, ch. 645, § 1, 62 Stat. 793.)

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Annex E

THE WHITE HOUSE

WASHINGTON

April 13, 1954

TO THE HEADS OF EXECUTIVE DEPARTMENTS
AND ESTABLISHMENTS:

Except as other procedures may be authorized by law, as in the case of decorations which may be authorized for military combat or war-time service, each department and establishment will hereafter be governed by the requirements of the Act of June 27, 1934 (5 U.S.C. 115a) with respect to requesting the consent of Congress for retired personnel to accept gifts, decorations, awards, or any other thing tendered to them by a foreign government. No request shall be submitted hereafter for other than retired personnel.

1. In the month of April, 1954, and one full month before the beginning of the Second Session of each alternate Congress thereafter, each agency will compile and transmit to the Secretary of State a list of its retired personnel for whom the Department of State under the provisions of the Act of January 31, 1881 (5 U.S.C. 115) is holding decorations, orders, medals, or presents tendered them by foreign governments and for the acceptance of which the agency desires to request the consent of the Congress. Supporting documentation will be submitted with the list and will include the name of the intended recipient, the date on which retired, the name of the donor government, the name or title or other identification of the thing to be accepted, and the specific reason for which it was tendered.

2. The Secretary of State will have prepared an omnibus authorizing bill covering the retired personnel listed by departments and will transmit such bill and consolidated list to the Congress.

3. Each department and establishment will be prepared to provide, on behalf of any such retired person, such further information as the appropriate Committees of the Congress may require with respect to any award tendered to such retired personnel.

4. Before submitting any consolidated list to the Congress, the Secretary of State will review the list in order to ascertain if there is any objection to the acceptance of any award therein proposed from the point of view of the foreign policy of the United States. If there be any such objection, the matter may be presented to the President for his decision.

5. These instructions supersede those of January 6, 1950, with respect to decorations tendered by foreign governments.

/s/ DWIGHT D. EISENHOWER

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Annex F

DEPARTMENT CIRCULAR No. 277

November 13, 1957

SUBJECT: Acceptance of Gifts from Foreign Governments or Foreign Government Officials

1. There is attached to this circular a compilation of the applicable law and regulations pertaining to gifts from foreign governments, or from officials thereof acting in their official capacity, to members of the Department and of the Foreign Service. This circular constitutes a statement of policy designed to afford guidance respecting the Department's interpretation of these provisions.

2. Where under the circumstances there is any indication whatsoever that such a gift was given with any improper intent, such as to gain influence, it should not be accepted. Where delivery of such a gift was made under circumstances rendering refusal impossible, the gift should be promptly returned to the donor.

3. Subject to the foregoing, it is the view of the Department that the following provisions of the law and regulations are to be interpreted with due regard for the principle "de minimis non curat lex" - the law does not concern itself with things which would universally be regarded as too unimportant to come within its scope. Accordingly, where there is no indication of improper interest, and refusal or return would be offensive and might injure good international relations, such a gift may be received. If it has only minor intrinsic value, such as a photograph or other like memento or souvenir, it may be retained. In case of any question or doubt, a ruling should be obtained from the Office of Protocol.

4. If gifts accepted from foreign governments or officials go beyond the foregoing, they should be delivered into the custody of the Department of State, through the Office of Protocol, which will then determine whether such gifts shall be returned to the donees or kept by the Department for later disposition in accordance with law. Return will not be permitted in the case of gifts of such nature or value that, irrespective of the actual intent of the giver, it could reasonably be inferred by anyone that the gift would, in fact, establish influence or constitute an added payment for services already included in the employment relationship of the recipient to the United States Government.

5. Gifts to close relatives of members of the Department or the Foreign Service should be treated in the same way as gifts to such members.

6. In general, members of the Department and of the Foreign Service shall, within the bounds of courtesy and good judgment, discourage the bestowal of gifts by foreign governments or officials upon themselves or their close relatives. Most foreign governments already understand that members of the Department and the Foreign Service do not accept foreign decorations and do not attempt to give them. The practice of politely and firmly declining decorations if offered should be continued.

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Annex F (Cont.)

7. This circular is intended merely to clarify existing regulations and should not be considered as repealing any of them.

Attachment:

Compilation of Law and Regulations
Pertaining to Acceptance of Gifts
from Foreign Government or Officials

/s/ State - FD, Wash., D. C.

Attachment to
Department Circular No. 277

LAW AND REGULATIONS

Article 1, Section 9, Clause 8 of the Constitution reads as follows:

> "No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State."

The Act of January 31, 1881, 5 U.S.C. 115, provides:

> "Any present, decoration, or other thing, which shall be conferred or presented by any foreign government to any officer of the United States, civil, naval, or military, shall be tendered through the Department of State, and not to the individual in person, but such present, decoration, or other thing shall not be delivered by the Department of State unless so authorized by act of Congress."

By an Executive Order dated April 13, 1954, the President directed that after that date no request should be submitted for the consent of Congress for anyone, other than retired personnel, to accept gifts, decorations, awards or any other thing tendered to them by a foreign Government.

It is provided in 5 U.S.C., Section 115a that:

> "The Secretary of State is directed to furnish to the Seventh-fifth Congress and to each alternate Congress thereafter a list of those retired officers or employees of the United States for whom the Department of State under the provisions of section 115 of this title, is holding decorations, orders; medals, or presents tendered them by foreign governments."

The acceptance of gifts by officers and employees of the Foreign Service is governed by Section 1002 of the Foreign Service Act of 1946, as amended (22 U.S.C. 804), providing:

> "An Officer or employee of the Service shall not ask or, without the consent of the Congress, receive, for himself or any other person, any present, emolument, pecuniary favor, office, or title from any foreign government. A chief of mission or other principal officer may, however, under such regulations as the President may prescribe, accept gifts made to the United States or to any political subdivision thereof by the Government to which he is accredited or from which he holds an exequatur."

It is further provided in 1 FSM IV 625.1 and 625.2, as follows:

"625.1 No American employee shall accept any decoration, gift or emolument of any kind from any foreign sovereign government, or from any state, province, or municipality of any foreign government, or from any governmental or semi-governmental agency, or from any international

Attachment to
Department Circular No. 277 (Cont.)

organization of states, notwithstanding the fact that the United States is a participant in such international organization. Moreover, to assure absolute equality and uniformity in this regard, no American employee of the Foreign Service shall ever wear any foreign decoration while serving in such capacity.

"625.2 No American employee, nor any person on behalf of such employee, shall petition the Congress of the United States for legislative permission to receive any foreign decoration, gift or emolument described in section 625.1."

It is also provided in pertinent part in Section 1021(a) of the Foreign Service Act of 1946, as amended (22 U.S.C. 809):

> "The Secretary [of State] may accept on behalf of the United States gifts made unconditionally by will or otherwise for the benefit of the [Foreign] Service or for the carrying out of any of its functions. * * *"

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ANNEX G

STATISTICS RELATING TO THE ACCEPTANCE OF GIFTS AND DECORATIONS FROM FOREIGN GOVERNMENTS

1. Decorations currently held by the State Department*. . . . app. 3700

Air Force	1843**
Army	1010
Navy	491
Civilian Agencies other than State	174
Congress	54
State	45
Marines	41
Coast Guard	32
Defense	4
	3694

* Does not include approximately 900 decorations released by Private Law 85-704, approved August 27, 1958. Statistics contained in this Annex are as of November 6, 1958.

** Includes 350 decorations recently tendered Air Force personnel by Government of Italy for Assistance in disaster operations.

2. Gifts currently held by the State Department* . . . . app. 270

State	185
Defense	67
Air Force	4
Army	4
USIA	3
ICA	2
Navy	2
	267

* Does not include 6 gifts released by Private Law 85-704, approved August 27, 1958

3. Estimated Number of Decorations Deposited Annually with the State Department

1955	300
1956	200
1957	300
1958 (through October)	500
Annual average - approx.	325

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4. __Number of Gifts Deposited Annually with the State Department.__

1950-1956	1
1957*	132
1958 (through October)	138
Annual average - approx.	150

* King Saud of Saudi Arabia visited the United States January 30, 1957. At that time, the State Department was holding only 11 gifts in its custody.

5. __Department of Defense Estimate of Annual Average of Decorations Accepted by U.S. Military Personnel or Tendered to Foreign Military Personnel.__

__To U. S. Military Personnel from Foreign Governments.__

Army	165
Navy*	30
Marine Corps*	8
Air Force*	60
Average total	263

* Estimate may be too low.

__From U.S. Government to Foreign Military Personnel.__

Army	45
Navy	20
Air Force	15
Average total	80

Annex H

CABINET PAPER—PRIVILEGED CP - 59-80/1

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February 20, 1958

MEMORANDUM

Re: Historical survey re gifts from foreign monarchs and governments to Government officers.

Article I, § 9, clause 8, of the Constitution provides as follows:

> "No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or Foreign State."

At the constitutional convention Charles Pinckney of South Carolina on August 23, 1787, urged the necessity of preserving foreign ministers and other officers of the United States independent of external influences. Thereupon this provision of the Constitution was adopted without discussion. 1/

The absence of any such discussion may, perhaps, be attributable to a generally comparable provision in the Articles of Confederation which were signed on July 9, 1777. It provided in pertinent part as follows:

> "Article VI. No State without the consent of the United States in Congress assembled, shall send any embassy to, or receive any embassy from, or enter into any conference, agreement, alliance or treaty with any king, prince or state; nor shall any person holding any office of profit or trust under the United States, or any of them, accept of any present, emolument, office or title of any kind whatever from any king, prince or foreign state; nor shall the United States in Congress assembled, or any of them, grant any title of nobility. * * *" 2/

The Articles of Confederation were finally ratified on March 1, 1781.

They were thus in effect when Benjamin Franklin returned home after serving for many years as the American minister plenipotentiary to France. Upon his departure King Louis XVI of France sent Franklin a gift. Franklin wrote to John Jay, Secretary for Foreign Affairs for the Continental Congress:

1/ 3 James Madison, Papers 1408 (1840).

2/ This Article was so reported to the Continental Congress as Article IV of the proposed Articles of Confederation by the committee of the whole on August 20, 1776. 5 Journals of the Continental Congress 675 (Government Printing Office, 1906). It represents a slight revision of the proposed Articles of Confederation which were submitted on July 12, 1776, by a special drafting committee under the chairmanship of John Dickinson. Ibid. 547.

> "I receive from the King, at my departure, the present of his picture set round with diamonds, usually given to ministers plenipotentiary, who have signed treaties with that court, and it is at the disposition of Congress, to whom be pleased to present my dutiful respects." 3/

At the Virginia debates on the ratification of the Constitution on June 15, 1788, Governor Randolph said with respect to this constitutional prohibition:

> "This restriction is provided to prevent corruption. All men have a natural inherent right of receiving emoluments from any one, unless they are restrained by regulations of the community. An accident (sic) which actually happened operated in producing the restriction. A box was presented to our ambassador by the king of our allies. It was thought proper in order to exclude corruption and foreign influence, to prohibit any one in office from receiving or holding any emoluments from foreign states. I believe that if, at that moment, we had supposed that he was corrupting our ambassador, it might have disturbed that confidence, and diminished that mutual friendship, which contributed to carry us through the war." 4/

Apparently he was referring to the farewell gift of Louis XVI to Franklin. A Virginia historian later wrote:

> "Dr. Franklin is the person alluded to by Randolph. In the winter of 1856, in Philadelphia, under the roof of a venerable granddaughter of Dr. Franklin I saw the beautiful portrait of Louis XVI, snuff-box size, presented by that king to the doctor. As the portrait is exactly such as is contained in the snuff-box presented by Crowned heads, one of which I have seen, it is probable this portrait of Louis was originally attached to the box in question, which had with the lapse of years been lost or given away by Dr. Franklin." 5/

3/ 10 Benjamin Franklin, Works 223 (1840). "(But the gifts of kings are seldom quite free gifts. Franklin, as was expected of him, gave the official in charge of the present a gold snuffbox worth a tenth as much as the miniature, and fifty louis d'or to his assistant.)" Van Doren, Benjamin Franklin 722 (1938). By his will Franklin bequeathed the gift to him to his daughter. Ibid. 761. For an account of the circumstances preceding the consent of the Continental Congress in 1780 to the acceptance of a similar medallion by Arthur Lee of Virginia, see 1 Brant, James Madison 62-64 (1948).

4/ 3 Elliott, State Debates on the Adoption of the Constitution 465-466 (1854). An examination of the index to The Federalist does not indicate that there was a discussion in The Federalist of the constitutional prohibition respecting gifts from foreign governments.

5/ From H. B. Grigsby, History of the Virginia Federal Convention of 1788, contained in 9 Virginia Historical Society Collections (New Series) 264.

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5/ From H. B. Grigsby, History of the Virginia Federal Convention of 1788, contained in 9 Virginia Historical Society Collections (New Series) 264.

This statement may explain whatever uncertainty there may be as to whether the gift to Franklin was a medallion or a portrait affixed to the top of a snuff box. In view, however, of the restrictions in the Articles of Confederation on the acceptance by officers of the American Revolutionary Government of gifts from foreign governments, there would seem to be some question as to whether the generally comparable restriction in the Constitution is due solely to the gift of the King of France to Franklin.

On January 6, 1834, President Jackson sent a special message to Congress stating that it appears that the United States consul at Tangier --

> "has been induced to receive from the Emperor of Morocco a present of a lion and two horses, which he holds as belonging to the United States. There being no funds at the disposal of the Executive applicable to the objects stated by Mr. Leib [the consul], I submit the whole subject to the consideration of Congress for such direction as in their wisdom may seem proper." 3 Richardson, *Messages and Papers of the Presidents* 37 (1896).

The House Committee on Foreign Affairs proceeded to investigate the matter. In asking to be discharged from further consideration of the matter, it made the following report:

> "The President adds that he had directed instructions to be given to our ministers and agents abroad requiring them to abstain in future, unless the consent of Congress shall have been previously obtained, from the acceptance of presents, under any circumstances, from foreign States; and founding himness (sic) on the supposed effect of these instructions, to prevent the acceptance of presents hereafter, he invites the attention of Congress to those which have been heretofore made to public officers, and deposited by the orders of the Government in the Department of State. He represents these as useless, and their custody as attended with inconvenience, on which account, and on the ground that the constitutional provision in relation to their acceptance may be regarded as satisfied by the surrender of the articles to the Government, he recommends the disposal of them to the original donees, or the representatives of such as are deceased.
>
> "The Government of the United States is the only one known to lay its agents employed in foreign intercourse under strict interdiction as regards the acceptance of presents in any form. This interdiction being in the constitution, could derive no increase of notoriety, more than authority from instructions to our agents abroad. Instructions have probably been given, however, at the earliest period ascertained of the Government, and were certainly given in the year 1817, as will appear from a document appended to this report.

"The acceptance of presents has, notwithstanding, taken place, on several occasions, and under circumstances, which the committee are not prepared to say should not exempt this conduct from censure. In all others than the Christian States of Europe, (and in these to a greater or less extent,) the interchange of presents between the authorities and foreign agents is not only matter of invariable usage, but an established form of respect; the breach of which, by refusal of acceptance on the part of the foreign agent, would furnish an occasion of resentment, compromising oftentimes the efficacy of the agency, or it might be even the official immunities or personal security of the agent. The last instances of the acceptance of presents by our agents abroad, have been explained by considerations of this nature. In the case of the horses received by the commissioner of the United States from the Ottoman Porte, &c., this officer alleged the fear that the important commercial interests we were seeking at that time to adjust and confirm, would probably have been suspended by his adherence to the constitutional restriction. Mr. Jefferson, when President, did not refuse a similar present, made directly to himself, and could only have been influenced by similar inducements. In the present instance, the consul alleges that 'the present could not be declined without the greatest insult to an Eastern Sovereign.' Acceptance has never, in any case, in which it has occurred, been the result of want of knowledge or recollection of the constitutional prohibition. As regards the disposal of the presents in the cases alluded to, as of former occurrence; in the first, Mr. Jefferson, without any reference to Congress, ordered the horses to be sold, and the money put into the Treasury. In the second, that of the horses presented by the Ottoman Porte, this committee expressed an opinion in asking to be discharged from the consideration of the message of the President on the subject, that the precedent in Mr. Jefferson's Presidency furnished a sufficient guide to the Executive. In conformity to this opinion, the horses were sold under order of the Executive in this last case also, and the money applied in discharge of the expenses which had been incurred in their transportation to the United States, and maintenance. As the horses in the present case are represented as fine, the proceeds of their sale may be expected to produce a fund adequate, at least, to meet expenses. The committee are of opinion, therefore, that the same course should be pursued in this, as the former instances to which allusion has been had, and report accordingly.

"As regards the recommendation of the President, that the presents deposited in the State Department should be delivered to the original donees, or the representatives of the decedents, the committee, on consideration of the subject, are not disposed to take the same view. They find, on recurring to a list and estimate of the probable prices of these presents, that only a few of them would be of pecuniary value to the receivers, if the President's recommendation were complied with, and they apprehend that the barriers set up by the constitutional inhibition, as regards the acceptance of presents, might possibly be weakened by this course of procedure. The foreign agents of the Government might be led to look with more facility on the considerations which may excuse a departure from the strict line of restraint imposed by the Constitutional obligation. As regards a considerable proportion of the articles in question too, it appears that the names of the donors and depositors have not been preserved; so that the recommendation could not be carried into effect, or the inconvenience from the custody of the articles, which seems to have been a principal inducement to it, obviated or relieved."

* * *

"Extract from instructions of J. Q. Adams, Secretary of State of the United States, to R. Rush, Envoy Extraordinary and Minister Plenipotentiary of the United States at London, dated

'Washington, November 6, 1817.

"A custom prevails among the European Sovereigns, upon the conclusion of treaties, of bestowing presents of jewelry, or other articles of pecuniary value, upon the minister of the Power with which they were negotiated; the same usage is repeated upon the minister's taking leave at the termination of his mission. In Great Britain it is usual to offer the minister, at his option, a sum of money, graduated according to his rank, or a gold box or other trinket of equal value. The acceptance of such presents by ministers of the United States is expressly prohibited by the constitution; and even if it were not, while the United States have not adopted the custom of making such presents to the diplomatic agents of foreign Powers, it can scarcely be consistent with the delicacy and reciprocity of intercourse between them, for the ministers of the United States to receive such favors from foreign Princes, as the ministers of those Princes never can receive from this Government in return. The usage, exceptionable in itself, can be tolerated only by its reciprocity. It is expected by the President, that every offer of such present which may, in future, be made to any public minister or other officer of this Government, abroad, will be respectfully, but decisively, declined.'

"(Circular)

"Department of State,

"Washington, January 6, 1834.

> "Sir: I am directed by the President to instruct the ministers, consuls, and other diplomatic and commercial agents of the United States, that it is required of them that, in future, they will not, unless the consent of Congress shall have been previously obtained, accept, under any circumstances, presents of any kind whatever, from any King, Prince, or foreign State.
>
> "You will therefore govern yourself accordingly." 6/

H. R. Rep. No. 302, 23rd Cong., 1st Sess. 1-4 (1834).

Attorney General Cushing expressed the opinion that the constitutional provisions forbade a United States Marshal in Florida from acting as Commercial Agent of France. 6 Op. Atty. Gen. 409 (1854). See also 13 id. 537 (1871).

Apart from any other instructions which may have been issued from time to time by the President or the Secretary of State, and any restrictions which may have been contained in any early appropriation acts, the first statutory restriction on the acceptance of gifts from foreign governments appears in the Act of August 18, 1856. It was an Act to regulate the diplomatic and consular systems of the United States which became effective by its own terms on January 1, 1857.

Section 19 provides in pertinent part as follows:

> "Nor shall any diplomatic or consular officer * * * ask or accept for himself or any other person, any present, emolument, pecuniary favor, office, or title of any kind from any such /foreign/ government". 11 Stat. 59.

In the Congressional Globe there is no report of any debate on this Act. This provision was retained when § 19 of this Act was amended in other respects by the Act of June 17, 1874, 18 Stat. 77. See also Rev. Stat. § 1751 (1878 ed.).

Section 1 of the Act of January 31, 1881, gives the consent of Congress to the acceptance by nine named persons of specified decorations and presents which had been tendered to them by foreign governments. Section 3 provides as follows:

> "Any present, decoration, or other thing which shall be conferred or presented by any foreign government to any officer of the United States, civil, naval, or military, shall be tendered through the Department of State, and not to the individual in person, but such present, decoration, or other thing shall not be

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6/ With respect to the reference to the horses presented by the Ottoman Porte, see H. R. Rep. No. 107, 21st Cong., 2d. Sess. (1831).

> delivered by the Department of State unless so authorized by act of Congress." 21 Stat. 604, 5 U.S.C. § 115. 7/

Thereafter Acting Attorney General Hoyt expressed the opinion that it would not be sound to hold that a titular prince, even if not a reigning potentate, is not included in the constitutional prohibition, and that the words "or other thing" in the 1881 Act, supra, would preclude the acceptance by an American military or civil officer of a photograph of Prince Henry of Prussia, a brother of the Emperor of Germany and King of Prussia. The Attorney General observes that the constitutional provision "has been viewed as particularly directed against every kind of influence by foreign governments upon officers of the United States, based on our historic policies as a nation." 24 Op. Atty. Gen. 116, 117 (1902). Attorney General Wickersham construed the constitutional prohibition as extending to a clerk of the fourth class in the Post Office Department, stating that he was an inferior officer of the United States, 27 id. 219 (1900). 8/

The Act of June 27, 1934, gave the consent of Congress to the acceptance of certain decorations and gifts by certain named retired officers of the Executive Branch and by a named member of the Legislative Branch. It also provides that the Secretary of State shall submit to each alternate Congress a list of those retired officers or employees of the United States for whom the Department of State, under the provisions of 1881 Act (5 U.S.C. §115), is holding decorations, orders, medals, or presents tendered them by foreign governments, 48 Stat. 1267, 5 U.S.C. §115a.

By Executive Order No. 7577 dated March 19, 1937, it is provided that "American diplomatic and consular officers are hereby prohibited from accepting in any circumstances any present, decoration, or medal, order, testimonial, or other thing that may

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7/ See also United States Consular Regulations § 421 (1888), Ibid. § 451 (1896 with amendments to 1919). And see § 1002 of the Foreign Service Act of 1946 which provides in pertinent part as follows:

> "An officer of the [Foreign] Service [of the United States] shall not ask or, without the consent of the Congress, receive for himself or any other person, any present, emolument, pecuniary favor, office or title from any foreign government. * * *" 60 Stat. 1030, 22 U.S.C. § 804.

8/ But see the holding that the constitutional prohibition is not applicable to a part-time employee of the Geological Survey who does not take an oath of office, 28 id. 598 (1911). Other diplomatic precedents, both earlier and later, are collected in 4 Hackworth, Digest of International Law 475-485 (1942). The Acting Secretary of State advised the American Embassy in Chile that the prohibition against the acceptance of foreign decorations does not apply to wives of officers of the United States, Ibid. 481. But see § 5 of Department of State Circular No. 277 of November 13, 1957, stating that "Gifts to close relatives of members of the Department or the Foreign Service should be treated in the same way as gifts to such members."

be tendered to them by any foreign king, prince, or foreign state," 2 Fed. Reg. 572. A similar prohibition is incorporated in § I-23 of the amendments to the foreign service regulations which were made in Executive Order No. 8396, dated April 18, 1940, 3 CFR 134 (1940 Supp.). Finally, by Executive Order No. 9521 dated February 13, 1945, the previous limitations on the authority of the Secretary of State to prescribe regulations relating to the duties of officers and employees of the Foreign Service and the transaction of their business were revoked, and he was authorized to substitute therefore his regulations, 3 CFR 365 (1943-1948 Compilation). 9/

The currently applicable regulations of the Secretary of State with respect to such matters are as follows:

> "030 Definitions
>
> * * *
>
> "Employee: Either an officer or an employee." 4 Foreign Service Manual 030 (p. 1)
>
> "625 Acceptance of Gifts, Titles and Emoluments
>
> "625.1 Gifts From Foreign Governments
>
> "No American employee shall accept any decoration, gift or emolument of any kind from any foreign sovereign, foreign government, or from any state, province, or municipality, or from any governmental or semi-governmental agency, or from any international organization of states, notwithstanding the fact that the United States is a participant in such international organization. Moreover, to assure absolute equality and uniformity in this regard, no American employee shall ever wear any foreign decoration while serving in such capacity.
>
> "625.3 Refusal of Gifts from Foreign Government
>
> "When it is necessary for an employee to refuse, or on his own behalf or on behalf of some other person, any decoration, gift or emolument offered by a foreign government,

---

9/ This Executive Order provided for the revocation inter alia of Executive Order No. 8396, supra, as of the date of issuance of the orders or regulations of the Secretary of State that cover the subject matter. He is directed to designate in his order or regulation the parts of an Executive Order which is intended to be superseded by such order, and to publish such order or regulation in the Federal Register. Ibid. 366. No research has been made as to whether any such notice has been published in the Federal Register with respect to § I-23 of the foreign service regulations in Executive Order No. 8396, supra.

> the refusal shall be made in as gracious terms as possible, attention being invited to the fact that acceptance is prohibited under the laws of the United States. Employees shall take such precautionary measures as seems advisable to avoid being placed in a position where it becomes necessary to refuse such decoration, gift or emolument from a foreign government." 4 Foreign Service Manual 625.

From time to time Congress has granted a general consent for the acceptance within a specified period of time by American citizens and personnel of the Armed Forces of medals or decorations tendered to them by foreign governments in connection with armed conflicts in which the United States was a participant. For such consent with respect to World War I, see the Act of July 9, 1918, 40 Stat. 845, 872; and with respect to World War II, see the Act of July 20, 1942, which also gave consent to the acceptance of decorations, orders, medals, and emblems from the governments of the other American Republics, 56 Stat. 662. 10/ Section 29(d) of the Act of August 10, 1956, provides that when a member of the Reserve is not on active duty or active training duty he is not considered to be a Government officer or employee or a person holding an office of trust or profit or discharging any official function under or in connection with, the Government in that capacity, 70A Stat. 632, 5 U.S.C. § 30r(d). Despite the broad language used, it may be noted that the legislative reports on the predecessor statutes indicate that the these statutes were enacted to except such Reserve personnel from the possible application of the conflict-of-interest laws, and dual compensation and employment statutes, and various State constitutional prohibitions against the holding of State office by Federal personnel. See S. Rep. No. 1102 and H. R. Rep. No. 1884, 71st Cong., 2d Sess. (1930) and S. Rep. No. 1795, 82d Cong., 2d Sess. (1951) and H. R. Rep. No. 1066, 82d Cong., 2d Sess. (1952).

Under the Act of July 9, 1952, Congress has authorized the Secretary of the appropriate military department to approve the acceptance by Reserve personnel of civil employment by foreign governments, 66 Stat. 495, 10 U.S.C. § 1032. Its enactment would suggest that Congress considered that even an inactive reserve officer would otherwise be subject to the constitutional prohibition. If so, it would corroborate a view that the broad language in 5 U.S.C. § 30r(d) does not authorize an inactive reservist to accept a gift or award from a foreign government.

10/ It is understood that General Vaughan, a member of President Truman's staff, accepted an award from President Peron of Argentina under this provision on the ground that World War II had not then been terminated. But see also S. 3195, 85th Cong., which would authorize certain retired personnel of the United States Government to accept and wear decorations, presents and other things tendered them by certain foreign governments. There is included therein an award to General Vaughan by the Government of Argentina of the Order of General San Martin.

Requests for the consent of Congress for the acceptance of medals, gifts and awards tendered to certain officers of the United States by foreign governments were considered by the Senate Committee on Foreign Relations in 1910. The report was submitted on behalf of the Committee by Senator Elihu Root, a former Secretary of War and Secretary of State.

Referring to the pendency of 200 such requests, the report made the following observations:

> "It seems that requests of this character should be passed upon in accordance with some declared principle of action, so that one officer should not have his request refused and another receive authority as the result of accidental circumstances attending the presentation of the request.
>
> "The existence of the prohibition in the Constitution indicates that the presumption is against the acceptance of the present, emolument, office, or title. A habit of general and indiscriminate consent by Congress upon such applications would tend practically to nullify the constitutional provision, which is based upon an apprehension, not without foundation, that our officers may be affected in the performance of their duties by the desire to receive such recognition from other governments. A strong support for the view that the practice should not be allowed to become general is to be found in the fact that the Government of the United States does not confer decorations or titles or, unless in very exceptional cases, make presents to the officers of other governments. It is not suitable that we should permit our officers to receive courtesies which we do not reciprocate by extending similar courtesies to the officers of other governments. We are of the opinion that the following rules should be observed:
>
> "1. That no decoration should be received unless possibly when it is conferred for some exceptional, extraordinary, and highly meritorious act, justifying beyond dispute a special mark of distinction.
>
> "2. That no presents should be received except such articles as are appropriate for souvenirs and marks of courtesy and appreciation and having an intrinsic value not disproportionate to such a purpose.
>
> "3. That the acceptance of presents within the limitation above stated should be further limited to cases in which some exceptional service or special relation justifying the mark of courtesy exists between the recipient and the government offering the present.
>
> "4. That no offer of any other title or emolument or office should be considered.

> "5. We consider that membership in learned societies, even though the appointment thereto may have a quasi governmental origin, should not be considered as coming within the constitutional provision, and it may well be that as to certain trifling gifts, such as photographs, the rule of de minimis lex non curat should be deemed to apply." S. Rep. No. 373, 61st Cong., 2d Sess. (1910). 11/

The bill in question was passed by the Senate, but died in the House. The standards or criteria in the report submitted by Senator Root may, however, be of interest to the Senate Committee on Government Operations. On November 27, 1957, Assistant Attorney General White informed the Committee Chairman that there had been no change by this Department in its interpretation of the 1902 Opinion, supra.

There have been issued the President's Memoranda of January 6, 1950, and April 13, 1954, to the Heads of Executive Departments and Establishments, respecting the procedure for the periodic submission by the Secretary of State to Congress of an omnibus bill respecting the consent of Congress to the acceptance of medals and other gifts to Government officers and employees which have been tendered by foreign governments. These Memoranda are not published in the Federal Register.

11/ Reproduced in 45 Cong. Rec. 3182-3186 (1910).

February 2, 1959

MEMORANDUM FOR

Mr. Lorne Kennedy

Attached for Secretary Seaton's personal use is a copy of the draft telegram which the President was going to send on Friday. I understand that he has subsequently decided to send letters along the lines of the attached.

Robert Gray
Secretary to the Cabinet

It strikes me that too few of our friends realize that in the next two or three weeks the schedule of the Democratic Congress calls for action on a whole series of key measures. If enacted these will rend asunder the balanced budget I have just submitted. I believe that in this situation those who agree with me as to the need for keeping the budget balanced and who look with me with grave concern on the possibility of fueling the fire of inflation and a return to perpetual deficit financing must join together in striving to persuade the Congress not to rush through these measures and to stand with me for sensible governmental programs. I refer particularly to measures concerning housing, construction of airports, disaster areas, legislation, labor legislation, Defense Department items, Federal aid to education, veterans legislation, and similar measures, all of which when taken together would wreck the budget and foredoom our hope for tax reform and for a tight bridle on inflation. If you share my feelings on these matters I will welcome any cooperative efforts to feel free to go along with your friends in persuading the Congress to respond sensibly on special measures as these. Our expectation is that action will be taken at least by one House of Congress within a matter of days, which is why I send you this telegram to call these matters to your attention.

With warm regard,

DDE

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CP - 59-127

February 26, 1959

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, February 27, 1959

1.	Briefing on Broad Latin-American Economic Problems	(Oral)	The Acting Secretary of State The Assistant Secretary of State for Economic Affairs
2.	Monthly Report on Expenditure and Personnel Levels	(Oral)	The Director, Bureau of the Budget
3.	The Communist Chinese Communes	(Oral)	The Director, Central Intelligence Agency
4.	Phases C and D of OPERATION ALERT	CP - 59-92	The Director, Office of Civil and Defense Mobilization
5.	Progress of the Civil Rights Commission	(Oral)	The Chairman, Civil Rights Commission

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By bc NLE, Date 5/23/78

MINUTES OF CABINET MEETING

February 27, 1959
9:00 a. m. -- 10:40 a. m.

The following were present:

President Eisenhower

Acting Sec. Herter
  (for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Mr. Rogers
Deputy PMG Sessions
  (for Mr. Summerfield)
Sec. Seaton
Under Sec. Morse
  (for Sec. Benson)
Sec. Strauss
Under Sec. O'Connell
  (for Sec. Mitchell)
Sec. Flemming

Amb. Lodge
Director Stans
Gov. Hoegh

Mr. Allen Dulles, CIA
Mr. Roger Jones, Budget
Mr. W. F. Libby, AEC
Asst. Sec. State Thomas Mann
Dr. John Hannah, Civil Rights Commission
Mr. Gordon M. Tiffany, Civil Rights Commission

Gen. Persons
Mr. Morgan
Mr. Merriam
Mr. Siciliano
Gen. Goodpaster
Maj. Eisenhower
Capt. Aurand (in part)
Mr. Morrow (in part)
Dr. Paarlberg
Mrs. Wheaton
Mr. Harr
Mr. Kendall
Mr. Robert Gray
Mr. Gordon Gray
Mr. Patterson
Mr. Minnich

(The President did not join the meeting until midway in the first item, which had been presented to him on an earlier occasion.)

Latin American Economic Problems - Asst. Sec. Mann spoke of recent economic developments in various Latin American countries and of attitudes toward the United States, to which they look for assistance in solving immediate problems and in getting a higher standard of living. He noted specifically (1) demands for a Marshall Plan for Latin America

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backed by the United States and designed to guarantee to double the standard of living of every citizen in twenty years at an estimated cost of perhaps $40 billion; (2) requests for the United States to give preferential treatment to all *primary* products of Latin America despite the fact that this would constitute discrimination against our allies in NATO and elsewhere; (3) their desire to create an Area Preference System among themselves; and (4) their hope that we would help to stabilize prices of their products by subsidies or other means. Mr. Mann stated that the United States would encourage, as an alternative to (1), an expanded use of the World Bank, International Development Loan Fund, etc.; as an alternative to (3), we would help in the establishment of a regional common market. He concluded with his belief that Operation Pan America can be an effective solution to the general problem, but that it will require a great deal of initiative and cooperation on their part as well as ours.

In discussion, Mr. McElroy ascertained that great attention is being given to encouraging a better climate for private investment. Mr. Anderson noted President Frondizi's efforts to reassure American investors. Mr. Anderson also called attention to the pressure to increase to $3-1/2 billion the originally planned $1 billion capital for the new Bank. He mentioned also the problem of getting private investments in a country whose currency is nonconvertible.

Adm. Strauss suggested the possible desirability of a US survey on a *real* availability of local capital which is too often put to use in areas other than their own.

The President concluded this item with a brief report on his discussions with the new President of Mexico, who is very anxious to come to the United States. The President also mentioned his discussion of the Overstreet book on Communism that occurred during the meeting. Mr. Anderson noted the effort being made to break the tradition of deflation following the inauguration of a new President in Mexico; Allen Dulles noted how the new man has faced up to the problem of Communists; and Adm. Strauss asked about the failure of Mexico to sign an Atomic Energy agreement, to which the President replied that it was a matter involving eradication of the screw worm.

Budget Report - Mr. Stans went over this month's figures on expenditures, noting that they coincide with the estimates presented in the January Budget Message.

Regarding employment, Mr. Stans noted that the current figure is nearly 19,000 above last year's and that much remains to be done to put into effect the reductions promised several months ago.

Mr. Stans then added up the various Congressional actions or failures to act which could upset the Budget and create a deficit of as much as

$3 billion. This figure could be increased by still other items not yet evaluated, such as higher defense costs, the next crop estimates, and school room construction legislation.

Mr. Stans stressed that actions taken in Congress now affect not only the FY 1960 budget but constitute a major shaping of the 1961 and 1962 budgets, leaving little flexibility for reshaping in those years.

The President felt that the Administration ought bear down hard on the personnel problem, necessarily so if pressure were to be kept on the Congress to look to its responsibilities in balancing the budget. He felt that the current increases in personnel create a picture of burgeoning bureaucracy in Washington of which Cabinet members ought to be ashamed. He felt certain that if Cabinet members were only able to take the four or six weeks necessary to bite into this problem fully, they would find excessive staffs particularly in field offices. He compared the present size of Department of the Army's Public Relations Office with the situation in 1935 when it consisted of General Surles, Miss Nason, and one other person.

After driving home his point about reducing Government employment, the President concluded with what he called an old story -- about the man who was so intent upon doing nothing in his job that he insisted upon having two assistants to help him.

Mr. Stans called attention to Rep. Cannon's proposal to require a 20% reduction in personnel across the board. Both the President and Mr. Stans remarked on the impossibility of doing this in each and every agency and division without regard to the essentiality of services performed. In this regard as it affected Post Office, Mr. Sessions stated that the increase in the volume of mail handled considerably surpassed the percentage of additional personnel.

Communist Chinese Communes - Mr. Allen Dulles presented some charts on statistics garnered about Chinese industrial production under their "Great Leap Forward" program. He stated that these statistics were of course not completely reliable but that they indicated pretty certainly that production had been increased far beyond the original 1958 goals. This might have been done at the expense of quality production, especially since much of it in steel and cotton was from small scale, local output, thus creating manpower problems in competition with harvest. Also the transportation and distribution system had not been adequate to move the goods to the cities.

Mr. Dulles then described at length the arrangements now being put into effect in the new agricultural communes, whereby the individual is subjected to an almost mechanical routine for which he gets in return a sort of complete cradle-to-grave security. The process of setting up the communes has been slowed in recent months in favor of a "tidying up" period, perhaps because of increasing dissatisfaction among the people over the program. Mr. Dulles concluded his remarks with a summary on the great antagonisms among overseas Chinese against the mainland government because of this new regimentation. He also stated that the success of the program remains highly problematical, although it does show that the Chinese people can be regimented to a greater degree than was ever before expected, perhaps because of the dying out of ancestor worship.

Amb. Lodge asked for usable materials regarding this development which would be helpful to him in the UN. Mr. Dulles indicated that some studies based on the statements of Communist Chinese themselves were being prepared.

Operation Alert 1959 (CP 59-92) - Mr. Hoegh quickly went over the schedule of emergency exercises for the coming year, beginning in April, with the major local phase in May, the state phase in June, the regional phase in July, to be followed by the national or Federal relocation and evaluation phase in August.

Gov. Hoegh also recalled the President's suggestion of last September for a "button up" exercise in the fall, as a result of which OCDM now proposes an exercise for October 19-23 during which agency heads would direct the activities of the Federal Government from three major relocation sites, using only the minimum necessary supporting personnel.

The President stated that the schedules seemed to be fine except that he would wish to give separate consideration at a later time to the October proposal. He then went on to note the importance of being able to run the Government during some tense situation from relocation sites -- at least having the operating staffs there even though the top officials might perhaps need to remain at their posts to avoid increasing dangerous tensions.

Mr. Herter called attention to State's requirement for relocation space for a larger number of supporting personnel in view of the tremendous scope of State Department activities all around the world but necessarily directed from Washington.

Civil Rights Commission - Mr. Hannah characterized civil rights problems as being, in his opinion, the most important internal problem facing our country both in terms of fostering tranquillity at home and of strengthening our posture abroad. After noting the origins of the Commission, he reviewed briefly the booklet distributed to the Cabinet (copy attached). He stressed that what the Commission really needs at this point is help from agencies which will be forthcoming more rapidly if top officials express their interest rather than leaving the matter completely to subordinates.

He also stressed that progress will be made in civil rights problems only so fast as people recognize the importance of a solution, recognize that

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problems exist in their own areas, and then have a desire to see these problems solved. Lacking a local desire to solve the problems, he felt there could be no solution.

The President and Mr. McElroy commented briefly and humorously on ways of promoting top level interest.

Attorney General Rogers paid tribute to the cooperative spirit and effective work of the Commission, concurred in the viewpoints Dr. Hannah expressed, particularly that it should be the Commission to operate any Conciliar Service should the Congress decide the Government ought to have one.

The President spoke with emphasis on the importance of feelings rather than laws in the solution of these problems. He hoped that the members of the Commission would keep on with their work despite their individual preferences for other activities.

Sec. Anderson referred to arrangements for the forthcoming Education Conference, Dr. Hannah explained procedures, and Dr. Flemming spoke highly of this particular effort. The meeting concluded on a note of praise by Dr. Hannah of the willingness of leading citizens all over America to forego other activities in order to help out on the Advisory Commissions set up by the Civil Rights Commission.

L. A. Minnich, Jr.

Copies to
- Mrs. Whitman (2)✓
- Mr. Robert Gray
- Mr. Minnich

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RA - 59-127

March 4, 1959

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, February 27, 1959:

1. Briefing on Broad Latin-American Economic Problems

    Information Item Only

2. Monthly Report on Expenditure and Personnel Levels

    ACTION:

    After noting Director Stans' report and his preview of the FY 1960 and FY 1961 budget outlook, the President emphasized again his conviction that in certain areas the Federal Government is over-staffed and that each Cabinet Member must continue personally to wage the campaign against unneeded burgeoning of the numbers of Federal personnel.

3. The Communist Chinese Communes

    Information Item Only

4. Phases C and D of OPERATION ALERT, 1959 — CP - 59-92

    ACTION:

    a) The President approved Part C (the National Relocation Exercise) of CP - 59-92.

    b) The President asked that Part D receive further discussion in Cabinet. He stressed, however, the importance of maintaining for instant use a capability of operating the Federal Government from relocation sites.

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E.O. 11652, Sec. 11
MR 77-106 #2
By D.W. Date 11/11/77

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CABINET PAPER
For Action

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5. Progress of the Civil Rights Commission — /Paper distributed at meeting/

ACTION:

a) The President assured the Chairman of the Civil Rights Commission that the entire Executive Branch will cooperate fully with the Commission. He suggested that staff level communications in this regard be preceded by communications from the Chairman in order that Cabinet Members and agency heads may give them their personal support.

b) The President underscored his conviction that the Commission's life should be extended, and also that if mediation and conciliation in the field of civil rights are to be added to the Federal executive's functions, they should be placed in the Commission.

Robert Gray
Secretary to the Cabinet

Approved by the President
March 4, 1959

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COMMISSION ON CIVIL RIGHTS
WASHINGTON 25, D. C.

March 16, 1959

MEMORANDUM FOR: Mr. Bradley H. Patterson, Jr.
Assistant to the Secretary to the Cabinet
The White House

In accordance with your request, attached hereto is a copy of the notes Dr. Hannah used in connection with our recent presentation to the Cabinet.

Gordon M. Tiffany
Staff Director

Notes of Dr. John A. Hannah, Chairman, Commission on Civil Rights,
for Cabinet Presentation, Friday, February 27, 1959

Mr. President - Gentlemen

When I accepted this assignment on the Civil Rights Commission, fifteen months ago, I would guess that my awareness of the civil rights problem was not very different from yours.

I knew there was a problem.

That racial disputes - often starting as a result of the moving of a Negro family into formerly all white areas in our northern cities - were not good.

That frequently well publicized fights between gangs of young hoodlums in our northern cities posed a potential threat that could grow into full fledged race riots and that was not good.

That the local commotions in various southern communities resulting from resistance to the Supreme Court Decisions on school integration were not good.

That in my wanderings about the world in various capacities - (1) in connection with the extensive foreign programs of my University, (2) as an appraiser of our foreign aid programs for the Senate Committee on Foreign Relations, (3) on my errands for the Defense Department, (4) on educational assignments for our ICA or for American foundations - repeatedly I was drawn into discussions in the under developed areas of the world that required the defense of our practices in dealing with minority groups at home.

We could list other awarenesses that a problem existed - that could well get worse - and that somebody should do something about it.

Now in these intervening 15 months, I have become convinced that this is the most important internal challenge facing our country.

Each of you have problems that are important. We would not quarrel with the importance of an adequate defense, or resisting inflation through a balanced budget, or handling the farm surpluses, or a pay-as-you-go Post Office operation, or whatever the important problem is that each of you is most concerned with.

But from the standpoint of maintaining tranquillity at home, and in furthering our long range National interests abroad - and particularly in that third of the world not now fully committed either to our western philosophy - nor to that of the Soviet Union - the most important internal challenge is how we handle our non-white, non-Christian groups at home.

The American ideal of equal opportunity and equal protection under the law of the land for all citizens is old and cherished. It was first expressed in the familiar opening words of the Declaration of Independence, expanded upon in the preamble to our Constitution, given more specific dimensions in the Bill of Rights, and then fortified by the Fourteenth Amendment.

That amendment provides, in part, that no state shall deny to any person within its jurisdiction the equal protection of the laws, and empowers the Congress to enforce this provision by appropriate laws. This is a power of control which the states, by their adiption of the Fourteenth Amendment in 1868, have delegated to the federal government. This is a point too often ignored in the hear of debate over state's rights and vederal rights within the broad field of social relationships.

My colleagues on the Commission are a group of distinguished men. They are: Robert G. Storey, of Dallas, Texas, the Vice Chairman, who is Dean of the Law School of Southern Methodist University and a former president of the American Bar Association; John S. Battle, of Charlottesville, attorney and former Governor of Virginia; Doyle E. Carlton, of Tampa, an attorney and former Governor of Florida; and the Reverend Theodore M. Hesburgh, President of the University of Notre Dame. The sixth member, until his recent death, was J. Ernest Wilkins, of Chicago, formerly Assistant Secretary of Labor - the Negro who had held the highest office job ever held by a Negro.

Now, I would like to turn to the books you have before you.

In Nashville, we are attempting an interesting experiment. We are inviting in school officials from 13 states who have had experience with problems involved with public school desegregation. Invited as observers are state superintendents from these 13 states and from 7 other states where no public schools have been desegregated. This will be a conference where those who have found workable solutions to the comples and perplexing puzzle of integration will be asked to tell how they have accomplished compliance with the requirements of our basic law. We hope the Commission will gain some valuable suggestions as to the recommendations it must make in this area, and we have hope that by directing public attention to those who have found a way to do what equity and justice demand we will plant some fertile ideas in the minds of those who say that integration will not be achieved because it cannot be achieved.

In Montgomery, we took testimony from witnesses under oath. In New York we listened to those presenting evidence on housing conditions in that metropolitan area. The Nashville conference next week will be something entirely different.

To the best of our knowledge, this will be the first time an effort has been made to place on the record the difficulties of all kinds with which local officials are confronted in their efforts to comply with the Supreme Court decision that race segregated public schools can have no place in our country. It will be the first nationwide conference at which those who have met with success in their integration programs can tell all of their fellow citizens how that success was achieved. It will provide a medium for the exchange of views and information, and I will be greatly disappointed if it does not reveal an imposing record of progress, a record hitherto obscured by the lurid publicity given to those instances in which integration has been prevented by one means or another.

In the final analysis, the solution must come from the minds and hearts of all Americans. In my opinion, sound and enduring solutions require a recognition by each community of the nature of the problem in that community and the importance of finding an early solution, and a desire to place all of the facts before all of the people of that community so that they may develop plans and procedures to assure continuing progress. The impatient say that this will result in uneven progress; the realistic say that the important goal is some progress everywhere. This is not to suggest that inaction should be tolerated anywhere, only that people in every community must somehow be brought around to want to make continual progress towards the full realization of the great American ideal. Once they are in that state of mind, they they -- not authorities in our state capitals and in Washington -- become the best judges of how to accomplish the goals desired.

It is for this reason that we place so many of our hopes in the committees of private citizens being organized by the Commission throughout the country. The law authorized the establishment of State Advisory Committees in every state to support the national commission in its work.

To date, we have succeeded in completing such committees in 46 of the 49 states and Hawaii; I am proud to say that Michigan was one of the first among them. Only in Alabama, Mississippi, South Carolina, the District of Columbia, and Puerto Rico are advisory committees yet to be organized.

Executive Branch Cooperation

with the

COMMISSION ON CIVIL RIGHTS

February 27, 1959

THE COMMISSION ON CIVIL RIGHTS

was created by Public Law 85-315 enacted by the 85th Congress and known as the CIVIL RIGHTS ACT OF 1957. It was signed into law by President Eisenhower on September 9, 1957.

This is the first legislation enacted by Congress in this important field of domestic affairs in more than 80 years!

Section 104 of the

CIVIL RIGHTS ACT OF 1957

provides that -

"(a) The Commission shall -

(1) investigate allegations in writing under oath or affirmation that certain citizens of the United States are being deprived of their right to vote and have that vote counted by reason of their color, race, religion, or national origin; which writing, under oath or affirmation, shall set forth the facts upon which such belief or beliefs are based;

(2) study and collect information concerning legal developments constituting a denial of equal protection of the laws under the Constitution; and

(3) appraise the laws and policies of the Federal Government with respect to equal protection of the laws under the Constitution.

"(b) The Commission shall submit interim reports to the President and to the Congress at such times as either the Commission or the President shall deem desirable, and shall submit to the President and to the Congress a final and comprehensive report of its activities, findings, and recommendations not later than two years from the date of the enactment of this Act."

The Commission's AUTHORITY and DUTIES

--- It is a FACT GATHERING agency

--- It COLLECTS INFORMATION
in the field of Civil Rights
by these means:

- Surveys
- Investigations
- Hearings
- Research

--- It STUDIES, ANALYZES and APPRAISES
the information collected

--- It makes FINDINGS and RECOMMENDATIONS
to the President and to the Congress
on the basis of its studies and
appraisals.

The COMMISSION ON CIVIL RIGHTS is

---NOT a police agency.

---NOT an enforcement unit.

---NOT a pressure group.

---NOT an action body.

Whatever it hopes to accomplish - indeed, whatever it lawfully and properly can accomplish - must be done by judicious employment of the unspectacular techniques of fact-gathering, study, appraisal and recommendation.

The Commission's

primary tools are

LAWS

FACTS

and

IDEAS

Yet these are three of the most effective weapons available in a democratic society for combatting the fears and obsessions and prejudices which lead otherwise reasonable men to impose inequalities upon some of their fellow citizens, thus depriving them of the full enjoyment of their Constitutional Rights.

The Commission has determined that it can fulfill its mission more creditably by focusing its studies for the present on three vital areas of Civil Rights problems:

- VOTING
- HOUSING
- EDUCATION

To that end three Staff Teams have been assigned the task of developing background material on these fields, and of

- analyzing
- synthesizing
- appraising

the volume of material thus assembled.

The Civil Rights Act of 1957 provides that the Commission must complete its work and make a final report to the President and the Congress not later than two years from its enactment on September 9, 1957.

But it was not until May 14 -- eight months later -- that the Staff Director's appointment was approved by the Senate, and the important work of building an effective organization begun.

The Commission is grateful for the recognition of its usefulness in the field of Civil Rights so generously expressed by the Administration, by members of the Congress, and by private citizens.

In his recommendations to the Congress on February 5, 1959, the President asked that the Commission on Civil Rights be continued for two more years and make "an interim report this year within the time originally fixed by law for the making of its final report."

The Commission will undertake faithfully to discharge any new responsibilities it may be given. At the same time it is convinced that it can and should accomplish the mission originally undertaken by completing the limited studies and investigations already initiated in the fields of Voting, Housing, and Education, and report its findings and recommendations to the President and the Congress no later than September 9, 1959.

The Act provides that "all Federal agencies shall cooperate fully with the Commission to the end that it may effectively carry out its functions and duties."

Accordingly, on December 4, 1958 it made a request through the Executive Office of the President for the cooperation of nine of the Departments under the direction of members of the Cabinet in supplying certain information. This was needed in connection with its "appraisal of Federal Laws and Policies with respect to equal protection of the laws."

The information sought fell into two general categories:

(1) Statistics or raw facts (such as census figures) not necessarily related to any "equal protection" policy of the agency, and

(2) information relating to "equal protection"policies of each department (such as Federal financial aid to schools, hospitals, etc.).

Responses have been received from all nine Departments. A preliminary examination of the replies indicates that interpretation or clarification of the data received may be necessary in some instances, and supplemental information required in others. Appropriate requests for these purposes will be made.

Additionally, in connection with its appraisal of Federal laws and policies the Commission will need and wishes to direct similar inquiries to several of the independent agencies of the Government.

In connection with its duty under the Act to

> "investigate allegations in writing under oath or affirmation that certain citizens of the United States are being deprived of their right to vote and have that vote counted by reason of their color, race, religion, or national origin,"

the Commission has held -

A Hearing on Voting Complaints

at Montgomery, Alabama

on December 8 and 9, 1958.

In connection with its duty under the Act to

> "study and collect information concerning legal developments constituting a denial of equal protection of the laws under the Constitution,"

and its further duty to

> "appraise the laws and policies of the Federal Government with respect to equal protection,"

the Commission also has held -

A Hearing on Housing

in New York City, New York

on February 2 and 3, 1959.

And in the same connection it has scheduled -

A Conference on Education

at Nashville, Tennessee

on March 5 and 6, 1959.

It is possible the Commission will consider that the testimony of witnesses, documents produced, and records examined in connection with the Montgomery hearing present a picture of the situation there so complete and informative that additional hearings on voting will be unnecessary. Meanwhile, investigations into voting complaints are under way in Mississippi and Louisiana, and others may be undertaken later in the northern counties of Florida, in Georgia, in South Carolina, and possibly elsewhere.

On the succeeding pages are brief reports on the two hearings already held, and a preview of the Conference on Education scheduled for March 5 and 6.

THE ALABAMA VOTING HEARING

In the course of a preliminary investigation of sworn complaints from Negro citizens in several Alabama counties alleging denials of their right to vote, local officials refused to permit Commission agents to see their records. Thereupon a hearing was ordered commencing on December 8, 1959, at Montgomery.

Voting officials in six counties were subpoenaed to appear with their records. The complainants also received subpoenas. Thirty-seven residents of these counties testified about their efforts to register and vote, almost invariably without success. Many of these witnesses had earned college degrees. Some were professional people.

The probate judge of Macon County brought his records to the hearing. Officials in three counties stated they had surrendered theirs to grand juries before receiving Commission subpoenas. Five refused to take the oath. One circuit judge having custody of voting records failed even to appear.

The Commission referred the matter to the Department of Justice for appropriate action under the Civil Rights Act. The United States District Court ordered the officials to produce the records.

The circuit judge who had impounded the records in Bullock and Barbour Counties resorted to what the Court termed "devious" conduct by turning them over to hastily impaneled grand juries after the Federal Court had ordered him to produce them. However, the grand juries permitted Commission representatives to inspect these records.

Millions of Americans gained their first understanding of the Commission and the voting problem being investigated as the result of extensive television and press coverage of the Montgomery hearing.

THE HOUSING STUDY

In its study of discrimination in housing by reason of color, race, religion, or national origin, the Commission has undertaken to

1. Collect and analyze the extent and nature of such discrimination.

2. Study the effectiveness of city ordinances and state laws enacted to eliminate discrimination in housing.

3. Appraise the role in housing discrimination of Federal laws, policies, programs, and agencies, including the Housing and Home Finance Agency and its constituent agencies, the Federal Housing Administration, the Public Housing Administration, and the Urban Renewal Administration.

To implement this study the Commission -

- Is conducting field surveys and consultations with public officials and private agencies in a number of cities.

- Is collecting and studying materials obtained from the Housing and Home Finance Agency and its constituent agencies bearing upon their policies and programs relating to discrimination in housing.

- Is requesting its Advisory Committees appointed by the Commission in 47 states to assist in the gathering of information about discrimination in housing in their respective states.

- Held a two-day Housing Hearing in New York City on February 2 and 3, 1959, at which state and city officials, and representatives of the real estate and home building industry, and private and religious organizations testified before the Commission with reference to the problems involved, State and City laws to cope with them, and the role of the Federal Government and its housing agencies.

THE NATIONAL CONFERENCE OF PUBLIC SCHOOL OFFICIALS

In its study of the field of education, the Commission has noted with interest that in the four-year period since the Supreme Court's decision in the Desegregation Cases --

- Considerable progress toward compliance has been made in the twenty states where racial segregation was required or permitted by law.
- Approximately one-fourth of the bi-racial school districts in the states requiring segregation now have some degree of desegregation.
- The desegregation process is believed to have been completed in the states in which segregation was permitted but not required by law.

As a basis for its findings and possible recommendations the Commission is seeking information about the administrative, scholastic, social, and community problems encountered in the transition.

It believes that only the professional educators who have had firsthand experience with desegregation programs can identify and define the problems, and assess the results.

To collect this information the Commission has invited a representative group of school officials from thirteen states to a Conference at Nashville, Tennessee, on March 5 and 6.

The State Superintendents of Schools of the twenty states in which segregation was required or permitted by law have been invited to attend as observers and to submit written statements in advance.

The Commission expects to hear from about twenty local school officials from a twelve-state area during the two days. Representatives from approximately ten state Departments of Education will be present. Special guests will include representatives of a number of national educational organizations, and of the Commission's State Advisory Committees.

> Their presentations and discussions should result in an unprecedented stockpile of facts, methods, patterns and techniques for dealing with the problems encountered by local communities desegregating their public schools.

The procedures and techniques utilized by the Commission thus far do not include

mediation

and

conciliation

The possibility of applying these methods in the solution of certain problems encountered in the field of race relations is discussed on the following page.

MEDIATION AND CONCILIATION

Some study has been given to the possibility of making mediation and conciliation in disputes connected with the equal protection of the laws one of the functions of the Commission. This study has led to a few tentative conclusions:

- Some types of disputes -- for instance, those arising out of school desegregation programs, and pertaining to the method as distinguished from the desirability of implementing constitutional rights -- seem appropriate for efforts at mediation and conciliation.
- There is doubt that the Civil Rights Act of 1957 authorizes the Commission to utilize such efforts.
- If legislation extending the life of the Commission is enacted, that would be an appropriate occasion for expressly conferring such authority upon the agency.
- If the Federal Government undertakes methods of mediation and conciliation in racial disputes it would be reasonable to assign that function to the Commission on Civil Rights rather than to create an entirely new agency.
- If the Commission is to undertake direct mediation and conciliation, specific authorization should be provided by appropriate legislation.

The specific requests for information already made and those now being developed for presentation in the immediate future illustrate the types of material sought.

They are not intended to preclude future requests to those departments nor to others possessing information or promulgating policies having to do with equal protection of the laws, which the Congress has directed this Commission to appraise.

RECOMMENDATIONS

I

That in assisting the Commission on Civil Rights to fulfill its obligations, the Cabinet, as requested under Section 105(e), Public Law 85-315, continue its cooperation in the above areas of interest as identified by the Commission.

II

That Independent Agencies of the Government be requested to give special attention and consideration to the above areas of interest as identified by the Commission.

III

That the Cabinet and Independent Agencies of the Government apprise the Commission of present and future policies which may be applicable in the field of Civil Rights.

THE WHITE HOUSE
WASHINGTON

~~SECRET~~

March 2, 1959

Dear Mr. Vice President:

I thought you might find use for the following informal summary of the highlights of Friday's meeting.

1. Briefing on Broad Latin-American Economic Problems

Assistant Secretary Mann presented a pre-Cabinet information briefing on a subject very familiar to you. He dwelt on the coming population explosion in Latin America (his figures: 1900 - 61,000,000; today - 185,000,000; 2000 - 593,000,000) and what this will mean in terms of the economic growth and accumulation of capital and investment necessary to provide jobs and a tolerable standard of living for such numbers of people. He described the chief Latin American economic goals:

a) A "Marshall Plan" for Latin America in the magnitude of $30-40 billions from Uncle Sam.

b) U.S. trade policies which would be discriminatory in favor of Latin American products -- e.g., lead and zinc, copper, oil, agricultural products, etc.

c) The creation of a preferential trading area for Latin American goods to the disadvantage of our own exports.

d) U.S. measures to stabilize basic Latin American products (e.g. coffee) by artificial means.

The discussion which followed revolved mostly around the prospects for increased private investment being attracted to Latin America, and the creation of a climate which would encourage such investment as an alternative for the rather unacceptable 4 points above.

The President, who joined the meeting as this item was ending, commented on his meeting with the President of Mexico, and how eager Mr. Lopez Mateos appears to establish closer relationships with the U.S. The President feels that the Mexican Chief Executive, who accepted his invitation for a return visit in April, is willing and

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By Date 11/1/77

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apparently able to do battle for the domestic economic measures which he believes are necessary to put the Mexican economy on a sound basis. Mr. Allen Dulles added that the new President is most cooperative on the Communist issue.

2. Monthly Report on Expenditure and Personnel Levels

Director Stans summarized the current expenditure comparison between FY 1958 and FY 1959 as increasing just about as was calculated -- not significantly more or less.

Personnel numbers are up over this time last year -- by 18,854, particularly because of increases in the Post Office, HEW, FAA and HHFA. The 2% reduction campaign has not had an opportunity to make itself felt. The President commented that he was still convinced that parts of our Executive Branch (e.g. "public relations" offices) are over-staffed, but there was general agreement that the proposed Cannon Rider (not filling 3 out of 4 vacancies) would be damaging because it would not be selective.

Director Stans then gave a preview of FY 1960 so far; i.e., changes since the President's budget of January:

Interest rates higher:	.3
Highway gas tax likely to be rejected	.241
More for agriculture	.1
Postal rate increase likely to be rejected	.4
If the Housing Act (S57) passes	.2
More VA loans	.1
Tax loopholes not closed	.4
Aid to airports	.1
IMF withdrawal being delayed (instead of occurring in FY 1959)	1.4
	3.241

3.241 more expenditures or less revenues --

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which dims the picture of a balanced budget for FY 1960. This does not even include additional funds which might be voted for Defense, Aid to Education, CCC, or other programs.

A preview for FY 1961 was then presented; i.e., the built-in increases which are going to be operating regardless of any future legislative actions:

More for interest	.4
More for CCC and Soil Bank	.3
More for Mutual security (Development Loan Fund)	.3
Veterans Pensions	.1
Construction	.2
NASA programs	.2
Defense education	.1
FAA programs	.2
Urban renewal and public housing	.2
Others	.2

2.2 billions up from FY 1960 levels.

This may be decreased by readjustments of veterans pensions and loans (.3) and other items (.1) making a net increase of 1.8 billions.

Threats in FY 1960 which carry over into FY 1961 are:

Postal and highway program increases if not covered by new revenues	1.2
New housing and airport programs	.2

1.4, added to the 1.8 above,

makes an increase of 3.2 to be added to the FY 1960 budget of $77 billion. These FY 1961 figures still do not include any additional funds which may be voted for Defense, CCC, Aid to education, new public works starts or other programs.

Mr. Stans emphasized that it should be pointed out publicly that the Congress in effect is making the 1961 and 1962 budgets this year, as well as the 1960 one.

3. The Communist Chinese Communes

Allen Dulles discussed both the economic and psychological aspects of this repulsive new form of Communist society.

The Chinese Communists expect to merge their approximately 26,000 communes now existing or on paper (20,000 people each) into 1,000 country-sized units of 500,000 people each. Even with internal economic dislocations (e.g., between rural and city), some of their production figures, especially for steel, run close to a rate which will enable them to overtake the U.K. in total output.

In this grim picture about the only positive side is the effect the establishment of these communes is having on the loyalties of the overseas Chinese.

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (2)
CIA letter, 10/13/77
NLE Date 11/10/77

4. Phases C and D of OPERATION ALERT, 1959

Phase C of this paper was approved; Phase D will await further Cabinet discussion. The President warned that the U.S. could be forced into a position where, although top-level officials might have to be in Washington for morale purposes, the government would have to be run, in effect, from the relocation sites.

5. Progress of the Civil Rights Commission

Dr. Hannah prefaced his presentation with the observation that from his previous experience in government, in international affairs, not only was this issue of civil rights the most important internal challenge for our country, but its overseas impact, particularly in the non-white world, made this a grave problem for our foreign relations as well.

I am attaching a copy of the paper he circulated.

Dr. Hannah mentioned the fine help he is receiving from those State Advisory Committees which he has been able to establish -- with such men serving on their respective groups as Charlie Wilson, Erwin Canham and Mr. Sproul.

The discussion centered around the two points which are included in the Record of Action (also attached), the Attorney General and the Secretary of Health, Education, and Welfare warmly praising the Commission and the work it has done so far.

Cordially,

Bob

~~Robert~~ Gray
Secretary to the Cabinet

The Honorable Richard M. Nixon
Vice President of the United States
Washington, D. C.

THE WHITE HOUSE
WASHINGTON

February 26, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, February 27, 1959

The following items are listed on the agenda for Friday's meeting:

1. Briefing on Broad Latin-American Economic Problems (Under Secretary Herter, Assistant Secretary Mann)

At a meeting of Mr. Randall's Council on Foreign Economic Policy the other day, Assistant Secretary of State Mann made a very brief but very candid and impressive statement on the coming population explosion in Latin America and on what this will mean for the United States and its economy, and for its trade policies.

2. Monthly Report on Expenditure and Personnel Levels (Mr. Stans)

Toward the end of each month, Director Stans presents to the Cabinet this graphic summary of the current fiscal year's expenditures, as compared with the earlier projections. He does the same with respect to Federal personnel levels.

This oral report enables you and each Cabinet Member to see just where the accomplishments, the weak spots and the danger spots are and to discuss corrective actions.

3. The Communist Chinese Communes (Director Dulles)

Gordon Gray recently suggested that the Cabinet should have the benefit of a special briefing from Allen Dulles on the development and significance of this particularly repulsive form of Communist society.

4. Phases C and D of OPERATION ALERT, 1959 (Governor Hoegh)

Ever since you made your own specific suggestions for OPERATION ALERT, 1959 at the September 26th Cabinet meeting, Governor Hoegh and his staff have been considering what kind of plan can be developed which can meet the tests of your wishes, value to State and local units, and feasibility. He has already obtained agency clearance for the "alert" part of the exercise (April 17-18) and for the local, State, and regional exercises (May 8-9, June 4-5, and July 8-9-10, respectively).

Governor Hoegh will present for Cabinet concurrence and your approval his recommendations for a National Relocation Exercise on August 24-28 and for a "buttoned up" test of the protected sites on October 19-23, in line with your suggestion.

5. Progress of the Civil Rights Commission (Dr. Hannah, Mr. Tiffany)

This item has been scheduled at your suggestion.

Dr. Hannah will explain: (a) What the Commission is, and what it is doing, (b) The reasons for its recent request for departmental cooperation, and (c) In what directions the Commission is planning to move in the future.

Robert Gray

Robert Gray
Secretary to the Cabinet

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Secretary to the Cabinet

COMMENTS ON INTER-AMERICAN ECONOMIC PROBLEMS

When speaking on Latin America, we North Americans often proceed on the premise that there are no frictions which new attitudes or new methods on our part would not quickly eliminate. And we usually then sound a note of optimism and speak of the progress we are making.

There are bright spots that can be pointed to: Mexico continues to progress in stability; Argentina has undertaken not only to put its economic house in order but to cooperate in the inter-American family more than she has ever done before; Colombia and Venezuela appear to have averted threats of internal chaos and to be headed toward a period of stability; Cuba appears to be emerging from a destructive civil war; several of the smaller nations continue to have economic and political stability and to act in a responsible way.

Much can also be said for the efforts which we have made, and are making, to increase the effectiveness of our cooperation, and to better identify ourselves with Latin America's economic desires: our efforts to be more helpful in Latin America's aspirations for a common market; a new willingness to examine the possibility of finding economically sound ways to cope with the problem of severe imbalances between production and demand in selected primary commodities; our proposal for a new inter-American development institution and for increasing the capital of the World Bank so as to increase the amount of public funds available for development; our proposal to beef up the International Monetary Fund so that it can lend more effective assistance on balance of payments problems; our proposal to negotiate tax sparing treaties and investment guaranty agreements so as to encourage a greater flow of private investment capital; and the recent extension of the Reciprocal Trade Act.

But I have a notion that perhaps it would be more profitable if we were to think out loud, for a change, in rather general terms. What are the basic causes for Latin American discontent with our economic policies? What are the prospects of their early removal? And what should our general approach to these frictions be?

Perhaps it is unncessary to begin by saying to a group as knowledgeable as this one that not only is this subject a complex one but it is made all the more so by the fact that each of the 20 other American Republics is different from the others. At the risk of over-simplification

inherent

inherent in all generalizations, I shall nevertheless begin by referring to a few trends which seem to me to stand out somewhat in significance.

1. The Desire for Economic Development

This is a relatively new factor in our economic relations equal in significance to any other. I use the term "relatively new" because, until recent times, Americans were more concerned with the political and cultural aspects of life than with the economic and material. Jefferson, Sarmiento and Bolivar were all disciples of the "Age of Enlightenment" and their principal preoccupations were with liberty, freedom, democracy and the dignity of man.

America has, of course, not lost interest in these tenets. But when the United States some years ago began to build its industrial base, it became evident that we were also turning our attention to the economic aspects of life -- to what Latin Americans then called "comfort". If in these decades Latin American intellectuals spoke derisively of our plumbing and the subordination of culture and spirit to the dollar, at least this was not a divisive issue of significance.

There were, to be sure, other issues in those times centering around solid Latin American opposition to the "Manifest Destiny" concept of Polk, the "big stick" policy of Theodore Roosevelt and the patronizing interventions of Woodrow Wilson. In the main, these were solved by Inter-American acceptance of the doctrine of sovereign juridical equality of states, the doctrine of non-intervention by one state in the internal political affairs of others, the doctrine of pacific settlement of disputes and other doctrines which have enriched international jurisprudence. United States acceptance of them, representing as they did the maximum Latin American aspirations of the times, amounted to a marriage of American foreign policy objectives. There followed a time of unprecedented good will and mutual understanding which was strengthened by the Second World War and the ties of a common peril and greater economic inter-dependence which flowed from it.

But by the middle 1940's the honeymoon was showing signs of strain over the new issue.

It does no good to inquire why, if Latin America now attaches importance to improving living standards, it did not sooner direct its brains and energy to this task. Whatever the cause, the fact remains that currently, for the first time, a, if not the, primary Latin American objective is economic.

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The rate of growth in the gross national product of Latin America between the years 1950 and 1957 was 4.5%, as compared with a United States product growth in 1946-1957 of 3.5%. There is every reason to expect that this rate of Latin American economic growth can not only be maintained but accelerated, assuming, of course, a continuance of United States assistance and the adoption or maintenance by Latin American countries of sound economic policies. However, today we are accustomed to speak of improved living standards for the individual, that is to say, increased per capita income.

Only 50 years ago, all of Latin America had 61 million inhabitants. Today the figure stands at 185 millions. In 41 years from now, the forecast is that the population will treble again and, by the turn of this century, stand at 593 millions. The United States and Canada, by comparison, will have, according to these estimates, only 312 million inhabitants at the turn of the century.

So we see that if one is to speak responsibly about increasing per capita, as distinguished from national, income by a fixed mathematical amount, the task is a formidable one indeed. For one thing, one must take into account not only the capital and technical know-how required to create jobs for those who are today unemployed or underemployed but also to create new jobs for an ever larger number of additional breadwinners. The capital investment required to create one job varies, of course, from country to country. I have recently seen estimates on one country and I suspect that the average figure for Latin America is much higher than most of us realize. In addition, very large amounts of capital will be required for improving and expanding facilities which governments must provide, such as roads, ports, sewers, hospitals, schools, housing, etc.

This is why many of us favor an increased rate of lending of public funds for economic development in Latin America. And because these are not the only demands on our Treasury, and because our ability to provide funds really does have a limit, we believe it follows that we must also rely heavily on private capital investments, domestic as well as foreign.

2. A Shift in Power in Latin America

A second major development in the area is a constantly accelerated growth in the power of governments and labor unions at the expense of the old established order.

In a perceptive article, entitled The Power Holders in the American Economy, Sumner H. Slichter recently pointed out that in the early days of our Republic there was

originally

originally only one principal power center, business (defined to include agriculture), which was guided by the principle of noninterference by government in business activities. He describes the growth over the years of two additional power groups, labor and government, as our economic life became more complex and as cleavages split the business sector. In predicting a continued trend in the growth of government power and responsibility, he says:

> "The fact that our Government is a representative one does not prevent it from being an independent source of power. Some members of Congress or legislatures, it is true, are rubber stamps, either from choice or necessity, and there are a few well-organized pressure groups -- veterans, the farmers, the trade unions -- which are able to get much of what they demand on a few issues. But there have always been in Government a significant number of men of stature and conviction...who possess personal followings that accept their leadership and give them considerable independence. Hence even in democracies, governments are...instruments through which...men mold economic institutions and policies according to their personal convictions."

In Latin America, there has been the same gradual erosion of the power of the business-farmer group, and the same corresponding increase in the power of labor and government, but with three principal differences:

First, Latin American trade unions, with a few notable exceptions, lacking the maturity which our unions have acquired, are prey for equally immature but more articulate leftist university groups with which they are usually allied.

Second, governments, with a few notable exceptions, have failed to develop and obtain the consistent adherence of their people to sound economic doctrines; moreover, career public servants have not been sufficiently developed so that the frequent changes in government almost always signify a break in the continuity of policy.

Third, the "men of stature and conviction" in government who "mold economic institutions and policies according to their personal convictions", as distinguished from mere acquiescence in the demands of vociferous minorities, are too few in number to give continuous, sound direction to government policies.

In addition to these two trends -- the grass roots pressure for an immediate improvement in living standards, on the one hand, and the failure, on the other, to develop and consistently and courageously administer sound economic

policies

policies -- I should like very briefly to refer to 2 or 3 other factors which are subordinate only in the sense that they are perhaps more transitory in character.

3. Other Trends.

The first of these is Latin America's growing estimate of its own bargaining power. They are learning of the importance to us of their votes in international organizations and of the growing dependence of the United States on their raw materials.and trade.

A large majority of Latin Americans today speak and write of the cold war as if it were a struggle between two titans, the United States and the USSR. While vaguely apprehensive of the kind of world they would live in if Soviet totalitarianism should emerge triumphant, they regard themselves more as spectators than participants. Consequently, we see a growing tendency to caucus as a bloc and to seek economic advantages in exchange for their support of us on cold war issues. This attitude was recently publicly expressed by a distinguished Latin American, twice a president of his country, who in substance said that Latin American future support of the United States on cold war issues in the United Nations was dependent on large scale grants or soft loans. This implies a complete lack of understanding that the United Nations protects the weak even more than it does the strong, and that the support of its heroic efforts to substitute a rule of law for rule by force is not a special concession to any particular nation. This must cause thoughtful men to wonder what the future of that organization will be if this notion spreads to other underdeveloped parts of the western world.

It is commonplace for all Americans to stress publicly the economic dependence of the United States on Latin America both as a source of raw materials and as a market for our own exports. On the other hand, one seldom sees or hears of statements -- statements that reach the masses of people and influence their thought -- of the dependence of Latin American economies on the United States market, or of the timely and valuable assistance from the United States in balance-of-payments and development loans or in technical know-how or in private capital investment to increase productivity. And it is rare indeed to hear of the value, as a common shield against aggression, of our very heavy defense expenditures.

A second factor to which I invite your attention is the 9 to 1 disparity in per capita income between the

United

United States and Latin America. We believe that this disparity is explained by our earlier start towards industrialization and to a variety of other factors which I shall not take the time here to list. But Latin American intellectuals have developed and widely propagated a series of doctrines which rest on the premise that the root cause of the disparity has been the "exploitation" of agrarian economies by the industrialized economy of the United States and Western Europe. A corollary to this is the thesis that private capital investments tend to aggravate the "exploitation" rather than to increase productivity and thus improve living standards.

I think we in the United States can understand something of the emotions which give rise to rationalizations of this kind. We know that Wall Street is seldom popular on Main Street. We remember how, when the United Kingdom was struggling under the heavy load of world leadership, it was our sport and pleasure to "twist the lion's tail" from a confortable position of neutralism. And we recall -- at least those of us who were reared in the Southern tradition -- that the old agrarian south sincerely believed it was "exploited" by the industrial north.

But we should, I think, understand more clearly than we do, not only that these rationalizations are, in the main, false, but that as they continue to gain popular acceptance they create a basic cleavage of considerable significance for the future.

The third and last factor to which I invite your attention is the notion that there is an easy road to prosperity without any sacrificial effort on Latin America's part.

Some Latin American governments attempt to meet popular pressures for a more rapid economic development by running budgetary deficits and by maintaining excessively liberal credit policies. In the train of these comes inflation which not only contributes to causing balance-of-payments difficulties but, in the long run, actually impedes their development. Furthermore, large recurring balance-of-payments loans reduce the amount of our public funds available for economic development and, equally important, their borrowing capacity.

One may reply that we have inflation and budgetary deficits in this country. And this is true. But to the extent that the United States fails to control inflation

and

and to keep our budget balanced, we foot the bill ourselves as consumers, investors or taxpayers. In Latin America this is not so; a large part of the bill is passed on to us.

How much better it would be in the long term for all concerned if Latin American peoples were told this simple truth:

The only way to raise living standards is to increase production. There are two ways in which this can be done. The communist way is to lower wages to the bare minimum necessary to keep body and soul together and to divert production away from consumer needs and towards expansion of the industrial base. If one or more generations will undergo extreme privation and accept total discipline under total dictatorship, national productivity can take a "great leap forward."

The western way is to use a larger part of production to meet consumer needs, to pay higher wages, and to respect the dignity of man within a democratic system of government. This results in a somewhat slower but nevertheless dynamic growth provided the citizen accepts the need for discipline and work.

In either case, very rapid increases in population will dilute increases in per capita income simply because this can only be arrived at by dividing the growing national product by an ever-growing number of people.

And, above all, there is no way to sustained and rapid economic progress without at least a minimum of effort and discipline on the part of the individual supported by a dedicated government capable of continuously administering sound economic policies. Foreign governments can help others to help themselves by contributing limited amounts of capital, by supplying technical know-how and by giving access to their markets. Foreign governments can, in other words, supply missing components in an otherwise favorable situation. But they cannot, by themselves alone, create the favorable situation.

4. A Few Guidelines.

It is against this background that the current economic issues need to be appraised - a background of rising expectations, of social revolutation internally and a constantly widening gap between agrarian and industrial economies externally, and an inadequate public understanding of the reasons for underdevelopment and the measures that need to be taken.

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I can suggest, if you wish, a few guidelines for action. Those here will doubtless be able to think of several others.

First, we must seek better to identify ourselves with Latin American economic aspirations. We do this by insuring that Latin America receives its fair share of the economic aid funds appropriated by the Congress and by constantly seeking new and imaginative ways to make our cooperation more effective. Whether it be in helping to create regional common markets, or to help in better economic development planning, or to help prevent sharp and disastrous declines in the price of coffee on which so many economies depend, the test ought not to be whether it squares with some particular doctrine, but whether it is sound and will really promote western hemisphere and free world economic progress. This task is so formidable that an even greater effort on our part will be necessary in the years ahead.

But Communism and nationalistic zenophobia are not just matters of the stomach. They have to do with the spirit too. If we continue to make sustained efforts to give the maximum help our resources permit, the advantages to us of being identified in the public mind with the needs of other people will be as, if not more, important than the monuments which may be built with our money.

Second, it is equally important that we not raise false hopes. This is, I believe, sufficiently important to warrant reference to a specific example.

During the recent discussions in the "Committee of 21", we suggested that a department in the proposed Inter-American Bank be established and staffed with a few of the best economists available. We suggested that this department could advise governments in formulating economic development plans, in assigning priorities and preparing loan applications to existing and prospective lending institutions. The objective of this would be to help others plan more dynamic national economic development programs in support of which each nation would contribute to the limit of its ability.

Another approach was suggested. It was, in substance, that to restore the faith of America in our system, a per capita income goal be set arbitrarily, say doubling each person's income within a period of 20 years; following this, the amount of capital needed to expand national production so as to achieve this goal would be estimated, say 20 to 30 billions of dollars; and, following this, it would be understood that the industrial nation, the United States, would find ways of supplying the capital.

Now

Now the question we have to ask ourselves in choosing between these two approaches is: Would a dramatic promise on the part of governments to achieve a fixed goal of this kind arouse hopes that might not be capable of achievement, either because our Congress, faced with a budgetary deficit, a rising national debt, and very heavy defense expenditures could not make additional foreign aid in this magnitude available, or, equally important, because other governments would not find it politically possible to ask commensurate sacrifices of their people? And if this came to pass, would peoples later feel themselves deceived? In the long term, will not peoples judge economic systems, including especially our own, by the results which they produce rather than by the promises they make and the hopes they arouse?

Third, we must try to find better ways to get across to peoples the message that the United States cannot do the job alone - that economic development, and especially very rapid development, requires discipline, work and sacrifice on the part of the nation most directly concerned. We can perhaps at our official level, at home and in the field, help by widening our circle of acquaintances and doing a better job of explaining in person-to-person conversations. United States business representatives can do the same. Perhaps if our official propaganda could be pointed more to the specific issues of the day, it would also help. Greater effort on our part to help others to improve educational standards, especially in the fields of the humanities and economics, may be called for. We should perhaps try to find better ways to help especially those peoples and governments which carry out needed fiscal and monetary reforms in a courageous way, such as we have recently done in the case of Argentina. We should perhaps try harder to reward constructive efforts and sacrifice on the part of others rather than give our economic cooperation without regard to the efforts of the recipient nation to help itself.

But in the last analysis, peoples listen to and believe their own leaders, and I think we can agree that success will ultimately crown our efforts only if Latin American officials and intellectual leaders do their part. Clearly one of our tasks is, in this age of demagoguery, to get leaders in the other American Republics to understand the importance of getting the facts to their people as distinguished from merely following the voice of the mob in the street which is often led by a handful of people who deliberately distort the image of the United States for ulterior purposes of their own.

And, finally, I would like to suggest that in the future, even more than in the past, it is important that

we

we in this country speak with one voice. We can do this, without in the least restricting criticism of policies and actions - which is necessary and desirable - simply by being specific in public statements likely to be widely published throughout the area. For example, if a United States official says we "neglect" Latin America, this probably will be not only widely published abroad but widely interpreted abroad as support of a grant program similar in scope to the Marshall Plan for Europe. The speaker, or the writer, on the other hand may have in mind merely an increased lending rate by the Export-Import Bank. The simple avoidance of misconceptions of what the United States is prepared to do would be of considerable help.

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These off-the-record comments are, as I said in the beginning, intended to be only general. They do suggest that if the area of inter-American economic misunderstanding is to diminish rather than increase in the decades ahead, greater efforts from us will be required. And, at least to some extent, we act in faith that somehow they will find it possible to take the measures needed to make our aid effective; that they will find it possible to create in their own countries the conditions which will make possible a dynamic rate of economic growth. Only if each American nation does its part can we hope to meet this new challenge to Western Hemisphere unity.

CABINET PAPER—PRIVILEGED CP - 59-92

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February 6, 1959

The White House

Washington

THE CABINET

Operation Alert, 1959

For consideration by the Cabinet, attached is a paper prepared by the Director of the Office of Civil and Defense Mobilization with the assistance of the Interagency Planning Group.

This paper describes and recommends for Cabinet concurrence and Presidential approval the scope and timing of the constituent exercises and phases of OPERATION ALERT, 1959.

In considering these recommendations, reference should be made to RA - 58-117, Item B; CP - 58-87/1 and CP - 58-85/1.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED
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CP - 59-92

February 6, 1959

The White House

Washington

THE CABINET

Operation Alert 1959

Scope. The program for Operation Alert 1959 calls for a series of exercises, as follows:

A. Civil Defense Alert Exercise

Time: April 17 - 18, 1959.

Participation: Public, State and local civil defense organizations and their supporting volunteer personnel, and personnel of government agencies as individuals, as appropriate.

Activity:
(1) Warning and dissemination of alert information.
(2) Evasive action decisions and implementation of readiness actions.
(3) CONELRAD.

State civil defense directors will choose the State pattern of bomb drops to meet their local training requirements and to improve the States' civil defense efficiency.

B. Local, State and Regional Exercise

In order that further study can be made of resources management and operational problems following an attack on the United States, the Operation Alert 1958 attack pattern will be used in this exercise.

Local Phase

Time: May 8 - 9. Post attack period D to D+14.

Participation: Local civil defense personnel, Federal agency personnel concerned or having responsibilities at the local level, and such State participation and direction as may be coordinated between the State and local directors.

State Phase

Time: June 4 - 5. Post attack period D to D+30.

Participation: State headquarters civil defense personnel, Federal agency personnel concerned or having responsibilities at State level, local directors to the extent required by State directors, and the OCDM regional personnel as agreed between the State directors and the regional OCDM directors.

Regional Phase

Time: July 8 - 9 - 10. Post attack period D to D+30 or longer, as dictated by resource problems play.

Participation: Regional and field organizations of Federal agencies and the State directors.

Each OCDM region, with participation of its State and local counterparts, will coordinate the local and State phases of their exercise. The regions will prepare exercise guidance and conduct the regional exercise, based on broad standards issued by the National level. The policy guidance will be that contained in the National Plan.

The regional exercise standards will be reviewed in each region by a traveling team made up of representatives of the Interagency Planning Group. During actual tests, departmental policy and programming personnel from OCDM and other agencies will participate as advisors in each of the regional exercises.

C. National Relocation Exercise

Time: August 24 - 28, 1959

Participation: National Relocation Arc activated August 24 - 25 - 26; Seminar Evaluation Groups to be convened at the OCDM Relocation Site August 27 - 28 to prepare final evaluation report.

Activity:

Individual Agency - August 24 - 26.

Consideration of problems arising from the Regional Exercise. These would include:

(1) Decisions at National level on items not effectively completed at the regional level, and

(2) Evaluations of regional actions in order that recommendations on review and refinement of the National Plan and supporting policy guidance can be presented in the final evaluation of the exercise.

Evaluation - August 27 - 28.

Seminar Groups to be convened at OCDM Relocation Site on August 27 - 28 to prepare final recommendations and to outline the courses of action necessary to improve National readiness. Presentation of findings to be made to the President at an expanded Cabinet Meeting at a date to be announced.

D. Test of Protected Sites

Time: October 19 - 23, 1959.

Participation: The heads of agencies, with necessary supporting personnel to conduct current normal policy direction and control of the departments and agencies and principal bureaus thereof, will function from selected existing protected facilities.

Activity: The operation of the Federal Government will be directed from these sites. These sites will be "buttoned up" for this period.

CABINET PAPER—PRIVILEGED

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CP - 59-92/1

March 9, 1959

The White House

Washington

THE CABINET

Operation Alert, 1959

The attached approved paper is circulated for action by the Director of the Office of Civil and Defense Mobilization and by the Department and Agency heads whose organizations will be participating in OPERATION ALERT, 1959.

Part C of this paper was approved by the President at the Cabinet meeting of February 27, 1959 (RA - 59-127, Item 4); Parts A and B were cleared previously by OCDM among the interested agencies.

A possible Phase D of OPERATION ALERT, 1959 is still under Cabinet consideration.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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CP - 59 - [illegible]/1

March 9, 1959

The White House

Washington

THE CABINET

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(1) Warning and dissemination of alert information.
(2) Evasive action decisions and implementation of readiness actions.
(3) CONELRAD.

State civil defense directors will choose the State pattern of bomb drops to meet their local training requirements and to improve the States' civil defense efficiency.

B. Local, State and Regional Exercise

In order that further study can be made of resources management and operational problems following an attack on the United States, the Operation Alert 1958 attack pattern will be used in this exercise.

Local Phase

Time: May 8 - 9. Post attack period D to D+14.

Participation: Local civil defense personnel, Federal agency personnel concerned or having responsibilities at the local level, and such State participation and direction as may be coordinated between the State and local directors.

State Phase

Time: June 4 - 5. Post attack period D to D+30.

Participation: State headquarters civil defense personnel, Federal agency personnel concerned or having responsibilities at State level, local directors to the extent required by State directors, and the OCDM regional personnel as agreed between the State directors and the regional OCDM directors.

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For Action

Regional Phase

Time: July 8 - 9 - 10. Post attack period D to D+30 or longer, as dictated by resource problems play.

Participation: Regional and field organizations of Federal agencies and the State directors.

Each OCDM region, with participation of its State and local counterparts, will coordinate the local and State phases of their exercise. The regions will prepare exercise guidance and conduct the regional exercise, based on broad standards issued by the National level. The policy guidance will be that contained in the National Plan.

The regional exercise standards will be reviewed in each region by a traveling team made up of representatives of the Interagency Planning Group. During actual tests, departmental policy and programming personnel from OCDM and other agencies will participate as advisors in each of the regional exercises.

C. National Relocation Exercise

Time: August 24 - 28, 1959

Participation: National Relocation Arc activated August 24 - 25 - 26; Seminar Evaluation Groups to be convened at the OCDM Relocation Site August 27 - 28 to prepare final evaluation report.

Activity:

Individual Agency - August 24 - 26.

Consideration of problems arising from the Regional Exercise. These would include:

(1) Decisions at National level on items not effectively completed at the regional level, and

(2) Evaluations of regional actions in order that recommendations on review and refinement of the National Plan and supporting policy guidance can be presented in the final evaluation of the exercise.

Evaluation - August 27 - 28.

Seminar Groups to be convened at OCDM Relocation Site on August 27 - 28 to prepare final recommendations and to outline the courses of action necessary to improve National readiness. Presentation of findings to be made to the President at an expanded Cabinet Meeting at a date to be announced.

CA - 59-128

CABINET PAPER—PRIVILEGED

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March 5, 1959

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, March 6, 1959

1.	Current Radiation Problems	(Oral)	The Acting Chairman, Atomic Energy Commission
2.	Cooperation with Canada in Defense	CI - 59-59	The Secretary of Defense The Deputy Secretary of Defense
3.	Report of the Special Committee to Investigate Crude Oil Imports	CP - 59-93	The Secretary of Commerce

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

March 6, 1959
9:00 a. m. --- 10:20 a. m.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Herter
  (for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Strauss
Under Sec. O'Connell
  (for Sec. Mitchell)
Sec. Flemming

Amb. Lodge
Director Stans
Gov. Hoegh

Deputy Sec. Defense Quarles
Under Sec. Commerce
  Mueller (in part)
Dr. Libby, AEC
Mr. Roy Price, OCDM, in part

Gen. Persons
Mr. Morgan
Dr. Paarlberg
Mr. Gordon Gray
Mr. Kendall
Mr. Harr
Mrs. Wheaton
Mr. Siciliano
Mr. Randall
Mr. Harlow
Gen. Goodpaster
Maj. Eisenhower
Col. Schulz (in part)
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

The President informed the Cabinet that the doctors were talking to him optimistically about Sec. Dulles' condition. While no really sound forecast can be made for several weeks yet, the fact is that Sec. Dulles is handling very well the special radiation treatments.

Radiation Problems - Dr. Libby took note of current discussions about radioactivity levels, particularly in Minnesota wheat. These discussions centered essentially on Strontium 90.

Dr. Libby stated that experts agreed that the maximum permissible levels of radiation ranged from 50 to 100 units, as contrasted with the present general level in individuals of 1-2 units. Samples of Minnesota wheat

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E.O. 11652, Section 1
By DHC NLE, Date 3-17-77

showed a radiation level of 105 in 1957 and 155 in 1958. Translated into the impact on individuals should their diet consist solely of wheat, this might get into the lower part of the range of what experts say is the maximum level tolerable. However, Dr. Libby pointed out, the tolerance figure really isn't known since the range of 50-100 was the result of applying factors of 20 or 10 (to be completely safe) to the basic fact that AEC workers have shown a tolerance level of 1000.

Dr. Libby concluded by estimating the hazard of radiation to be very small compared to other hazards of life. He hoped that there could be much public discussion of this matter so that opinions could be founded on facts as far as they are known.

In response to the President's inquiry, Dr. Libby pointed out that it was Minnesota wheat that showed the highest level of radiation perhaps because it was subjected to fallout from both Russian and US testing, particularly the extremely "dirty" tests of the Russians last October.

Sec. Anderson inquired about radiation levels within Russia. Dr. Libby could not be certain since the Soviets had not carried through their side of a tentative agreement to exchange samples of materials with American scientific groups.

Amb. Lodge asked if public statements could properly be made about the relationship of Russian fallout to Minnesota wheat radiation levels. Dr. Libby did not think the relationship was sufficiently established at this time for such statements.

The President concluded the discussion with a comment on the difficulty of any assumption there could be a nuclear war, since the radioactivity level from a massive attack would be just tremendous compared with what is evident in Minnesota wheat as the result merely of a few tests.

Defense Cooperation (CI 59-59) - Mr. McElroy spoke of the great psychological impact on Canadians resulting from the decision to drop a particular plane produced in Canada, thus causing an increase of Canada's reliance on the United States for its air defense. He said that there is a consequent feeling among Canadians that they ought participate in production of component parts for defense equipment.

Mr. Quarles further explained the situation, emphasizing Prime Minister Diefenbaker's high statesmanship in analyzing before the Canadian Parliament the state of cooperation between the United States and Canada. Mr. Quarles pointed to the basic decision made in 1941 at Hyde Park, reaffirmed during the Korean crisis, and further strengthened during President Eisenhower's recent discussions with the Canadians that there would be full cooperation between the two countries in production as well as other military matters.

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[illegible]
By SHC NLE, Date 3-17-77

Cabinet Minutes, March 6, 1959 - page 3

As a result, said Mr. Quarles, there is a need not only for waiving the Buy American provisions, certain quotas, etc., but also to help strengthen their competence in certain production and research and development both for defense purposes and for the Canadian economy generally. Mr. Quarles indicated that Defense would prepare lists of materials open to straight competitive bidding by the Canadians covering Army and Navy procurement, as well as Air Force which has been previously open. Also, appropriate discussions are being carried on at a sub-Minister level.

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (1)
OSD LTR 3/7/77
NLE Date 3/16/77

Mr. Quarles stressed the importance Canada attaches to these matters and the importance to the United States of respecting their position and carrying forward our cooperation despite any political protests that may develop in affected localities of the United States.

Oil Import Program (CP 59-93) - Adm. Strauss reviewed the long history of this question, then stated that noncompliance by a few companies had tended to demoralize those that did comply to the extent that some of the latter now intended to withdraw from the voluntary program. He also stated that the Executive Order restricting Government purchases from noncompliers had not fulfilled its purpose. Further complicating the program were increased imports of finished petroleum products and the advent of many new importers desiring to share in the program. Finally, there had been some advice from the Justice Department that there needed to be reference to the Anti-Trust Act should coordination of the companies' activities be extended further. Mr. Rogers immediately stated that Justice had intended only to make clear that it could give no assurance against serious litigation developing.

Adm. Strauss then noted the OCDM finding that increased imports could constitute a threat to national security, followed by Cabinet Committee recommendation of its new program which he described in detail.

He concluded with the recommendation that the Cabinet Committee be discharged of its responsibilities and that the Secretary of the Interior take over the operation of the new mandatory program.

With regard to residual fuel oil, included for the first time in the program, Adm. Strauss made clear that no reduction in volume was contemplated and that there would be frequent opportunities for review to prevent any shortage from developing in those areas dependent upon residual fuel oil. Mr. Herter set forth State Department's serious reservation as to including residual because of its heavy impact on Venezuela. He noted

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By DHC NLE, Date 3-17-77

that imports for the past few months were unusually high, above the 1957 level, that Mexico was coming into this picture, and that there could be serious question as to whether the defense essentiality concept could be applied to residual. He also hoped that in the administration of this program a very sharp eye would be kept on the price factor.

Sec. Seaton assured him that this would be done because of its bearing on the national economy as a whole. Mr. Seaton thought that the impact of the program would be to prevent prices from falling further, thus firming them up, rather than raising them -- although some small increases might occur in particular products. Much of this would depend on the actions of the State regulatory bodies as to limitations of production.

The Attorney General expected that the new program would be attacked in the courts and that there would be serious problems in the defense of the Government's position. Accordingly, to facilitate this defense, he hoped that the basic papers from Defense to OCDM, and OCDM to the President, would be drawn up with a view to making the strongest possible case. This could best include, he thought, any specific estimates that the Defense Department could make as to requirements, resources, etc.

The President recalled the traditional Defense Department position as to the essentiality of having a strong domestic oil industry, also the fact that the law specified "threatened" to injure rather than actual injury. On the other hand, the President noted, there was a school of thought which held that our oil resources should be conserved in peacetime by freely admitting foreign oil, thus preserving necessarily limited resources for wartime. However, he thought, this school must recognize in the new techniques for making war that an existing healthy industry was more necessary than one which could only be developed over a period of years. He felt there had to be incentive for continuing exploration for new reserves.

In response to Mr. Rogers' suggestion, Gov. Hoegh said he would consult further with him, particularly as to the full report that is being prepared.

Amb. Lodge foresaw possible repercussions in the UN where questions already exist as to the full solidarity of South American support for some of our positions.

Mr. Herter noted State Department efforts to explain to the Venezuelans that failure to act on the part of the Administration might result in the imposition of more stringent regulations by the Congress.

The President inquired as to the possibilities of some accommodation of Venezuela's needs through the way in which specific quotas are handled. Adm. Strauss did not see much possibility of telling the oil companies

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what kind of oil they could import or from where, since only seventeen companies are engaged in importing residual oil. Mr. Mueller asserted again that Venezuela will not be cut back except in relation to the unusually high past two months.

The President stated his interest in the unity of the American continent, and wished it were possible to act in unity with Canada on this particular item.

Mr. Anderson noted again the provisions for frequent review so as to avoid hardship, then stated the great expectation there is that the coal industry would force protective legislation if the Administration did not include residual in the program. This expectation was concurred in by the Vice President. Mr. Benson again mentioned the impact on Canada. Adm. Strauss assured there would be no damage to Canada since the 1957 levels were being retained. He pointed out also that Canadian oil actually profits from American oil policy since it could not compete in the American market if all foreign oil were admitted freely.

The President expressed his concern over the tendencies of special interests in the United States to press almost irresistibly for special programs like this and wool and cotton, etc., in conflict with the basic requirement on the United States to promote increased trade in the world. While he did not wish to be pessimistic about the nature of free government, he did want to caution about the troubles that might develop from too many cases of this sort.

LAM

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Robert Gray
Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

March 5, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, March 6

The following items are on the agenda for tomorrow's Cabinet meeting:

1. Current Radiation Problems (Dr. Libby)

Chairman McCone and Dr. Libby (chief scientist on the Commission, who will be Acting Chairman Friday in Mr. McCone's absence) have suggested this Cabinet briefing on the subject of radioactive fallout.

In view of the spate of newspaper stories, some apparently designed to embarrass the Administration, and Congressman Holifield's announced intention to hold hearings on this subject, this discussion is highly appropriate.

2. Cooperation with Canada in Defense (Secretary McElr
Deputy Secretary
Quarles)

Deputy Secretary Quarles has asked for an opportunity to report on the latest meeting of the Joint Canada-U.S. Ministerial Committee on Defense. He plans to mention the highlights of their discussions, including Canadian procurement of U.S. aircraft, U.S. defense subcontracting with Canadian firms, and the application of our Buy-American regulations.

3. Oil Imports (Secretary Strauss)

You have continued the present voluntary program until March 10 and you have before you the finding of Governor Hoegh and the recommendations of the Cabinet Committee. This item will allow for Cabinet discussion of this topic of wide Administration interest.

Bob
Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

March 4, 1959

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MEMORANDUM

SUBJECT: Additional Item for Friday's Cabinet Agenda

Chairman McCone and Dr. Libby (chief scientist on the Commission who will be Acting Chairman Friday in McCone's absence) have suggested a Cabinet briefing on the subject of radioactive fall out.

In view of the spate of newspaper stories apparently designed to embarrass the Administration, and Congressman Holifield's announced intention to hold hearings on this subject, this discussion would be highly appropriate.

TIME: 10 minutes

Bob
Robert Gray
Secretary to the Cabinet

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CP - 59-73

March 6, 1959

The White House

Washington

THE CABINET

Report of the Special Committee to Investigate Crude Oil Imports

For consideration by the Cabinet, attached is the latest Report of the Special Committee to Investigate Crude Oil Imports.

This Committee was established by the President on June 26, 1957, and has made previous reports on July 29, 1957, December 12, 1957, March 24, 1958 and June 4, 1958.

The present Report has been prepared in the light of the determination, made on February 27, 1959 by the Director of the Office of Civil and Defense Mobilization concerning crude oil and crude oil derivatives and products.

When the original copy of the attached Report has been signed by the six concurring Members, it will become the formal Report of the Committee.

It is now presented for the consideration and comment of the Cabinet and for the approval of the President.

Each recipient of this document is asked to take special precautions to preserve its privileged nature.

Robert Gray
Secretary to the Cabinet

DECLASSIFIED E.O. 11652, Sec. 11
Authority NLE MR 77-106, #H
By D. W. NLE Date 8/5/77

CABINET PAPER
For Consideration
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CP - 59-53

March 6, 1959

The White House

Washington

THE CABINET

Report of Special Committee to Investigate Crude Oil Imports

On December 22, 1958, in its Interim Report, your Special Committee to Investigate Crude Oil Imports stated that it would present for your consideration certain recommendations for revisions or changes in the Voluntary Oil Import Program. Pending submissions of these recommendations, and with your approval, importers were advised that no changes would be made through February 28, 1959 in crude oil allocations under the Voluntary Oil Import Program and were requested to continue through February 28, 1959 to limit to their present allocations the importation of unfinished gasoline and other unfinished oils.

The [illegible] D. Eisenhower Library

On January 22, 1959, at the instance of your Special Committee, the Secretary of State and the Deputy Secretary of Defense requested that the Director of the Office of Civil and Defense Mobilization, pursuant to Section 8 of the Trade Agreements Act of 1934, as Amended, make an appropriate investigation to determine the effects on the national security of imports of crude oil and its derivatives and products.

On February 25, 1959, the Director, Office of Civil and Defense Mobilization, reported to you that crude oil and its principal derivatives were being imported into the United States in amounts which threaten to impair the national security. In the light of that finding, the Special Committee recommends that the Voluntary Oil Import Program be replaced by a mandatory program which will limit the imports of crude oil and certain derivatives to such levels as the national security requires and will allocate such imports as are authorized among companies in a fair and equitable manner. The Committee considers that, although the majority of the oil industry has complied with the Voluntary Program, the following factors compel mandatory action: excessive imports by companies who have not complied with the Voluntary Program; a threat to the success of the Voluntary Program because of increased importation of unfinished oils and products; the likelihood of increased non-compliance among companies now having allocations when they are asked to cut back imports voluntarily in order to provide allocations for newcomers to the program; and the impossibility of working out a desirable and legally permissible revision of the Voluntary Program acceptable to this Committee which will take care of these requirements.

The Committee makes the following recommendations with respect to a Mandatory Program:

1. In view of the Director's determination that imports of "crude oil and the principal crude oil derivatives and products" threaten to impair the national security, imports of crude oil and the following derivatives, whether unfinished oils or finished products, should be controlled:

Liquefied Petroleum Gases
Gasoline
Kerosene
Jet Fuel
Distillate Fuel Oil
Lubricating Oils
Residual Fuel Oil
Asphalt

2. No control should be imposed on fuels of foreign origin withdrawn from bond tax free as supplies for vessels or aircraft as provided in the Tariff Act of 1930. (Estimates of total demand used to fix levels of imports would not include demand for such supplies.) This provision is not intended to exempt government agencies from limitations elsewhere recommended with respect to finished products.

3. In Districts I-IV, where there is substantial oil production capacity in excess of actual production, the maximum level of imports of crude oil, unfinished oils, and finished products (except residual fuel oil to be used as fuel) be limited to approximately 9 percent of total demand in such districts. Within this maximum level, imports of finished products (exclusive of residual fuel oil to be used as fuel) should not exceed the level of imports of such products during 1957. In addition, imports of residual fuel oil to be used as fuel also should be confined to the 1957 level.

4. In District V, (including Alaska and Hawaii), where production is declining and where, due to the absence of any significant inter-area flow of oil, limited imports are necessary to meet demand, the maximum level of imports of crude oil, unfinished oils, and finished products be limited to such amount as, when added to domestic production and supply, would approximate the total demand in that District. Within this maximum level, imports of finished products (including residual fuel oil to be used as fuel) should be held to the level of imports of such products during 1957.

5. Such additional imports of crude oil over and above these limits be permitted as are necessary to meet the minimum requirements of refiners, and pipeline companies using crude oil directly as fuel, not able to obtain sufficient quantities of domestic crude oil by ordinary and continuous means, such as by barges, pipelines or tankers.

6. In Districts I-V, the Secretary of the Interior should keep under review the imports of residual fuel oil to be used as fuel and should be authorized to make, on a monthly basis if required, such adjustments in the level of such imports as he may determine to be consonant with the objectives of the program.

7. In order to make the foregoing limitations effective, imports of crude oil, unfinished oils, and finished products into Puerto Rico should be limited to an amount which would not substantially exceed the level of imports during all or part of 1958, as determined by the Secretary of the Interior to be consonant with the purposes of the Mandatory Program, or such higher or lower levels as the Secretary may subsequently determine are required

to meet increases or decreases in local or export demand. The Secretary should be authorized to allocate imports of crude oil and unfinished oils between the two refineries in Puerto Rico and imports of finished products among importers during a base period selected by him.

8. The Secretary of the Interior be delegated the responsibility to allocate imports of crude oil and unfinished oils, under standards which would:

(1) restrict such allocations to those companies having refinery capacity in the United States.

(2) provide that refinery inputs would be used as a basis for allocations, except that initially no company having inputs during the base period selected shall receive less than 80 percent of their last allocation under the Voluntary Oil Import Program.

(3) provide for allocations of crude oil (but not unfinished oils) to meet the minimum requirements of refiners and pipeline companies using crude directly as fuel showing inability to obtain sufficient quantities of domestic crude oil by ordinary and continuous means, such as barges, pipelines, or tankers.

9. In Districts I-V, the importation of unfinished oils by each company receiving an allocation of crude oil and unfinished oils should be limited to 10 percent of the allocation, by volume.

10. The Secretary of the Interior should require that imported crude oil and unfinished oils be processed in the importer's refinery except that exchanges for domestic crude or unfinished oils may be made if otherwise lawful, if effected on a current basis and reported in advance to the Secretary, and if the domestic crude or unfinished oils are processed in the importer's refinery. Refiners and pipeline companies receiving allocations of crude oil on the basis of inability to obtain sufficient domestic crude by ordinary and continuous means should not be permitted to make exchanges.

11. The Secretary of the Interior should be authorized to allocate imports of residual fuel oil to be used as fuel and finished products among companies who imported during 1957, and in the amounts imported by them during such period. Government agencies should be required to obtain allocations for the importation of finished products.

12. Controls on the importation of finished products (including residual fuel oil to be used as fuel) should become effective on April 1, 1959. Controls on the importation of crude oil and unfinished oils should become effective on March 11, 1959. The first allocation period should terminate June 30, 1959 and allocations thereafter should be for periods of six months. Refinery inputs and demand should be reviewed by the Secretary of the Interior prior to the beginning of each allocation period. In estimating demand for initial allocations, the Bureau of Mines' estimates of demand for the first half of 1959 should be used.

13. The Director of the Office of Civil and Defense Mobilization should be instructed to maintain a constant surveillance of imports of petroleum and its primary derivatives in respect of the national security and, after consultation with the Secretaries of State, Defense, Treasury, Interior, Commerce, and Labor, to inform the President of any circumstances

which, in the Director's opinion, might indicate the need for further Presidential action under Section 8 of the Trade Agreements Extension Act of 1958.

14. Provide that Executive Order 10761, dated March 27, 1958, shall be revoked as of April 1, 1959.

15. The Special Committee to Investigate Crude Oil Imports should be discharged of its responsibilities.

16. The Secretary of the Interior should be authorized to provide for the establishment and operation of an Appeal Board, comprised of one representative each from the Departments of the Interior, Defense, and Commerce, and to empower the Board, on grounds of hardship, error, or other relevant special consideration, but within the limits of the maximum levels of imports established, to modify allocations, to grant allocations of crude oil and unfinished oils in special circumstances to companies with importing histories who do not qualify under the foregoing provisions, and to review the revocation or suspension of any allocation or permit. The Secretary should be authorized to provide that decisions by the Board be final.

Respectfully submitted,

Secretary of State

Secretary of Defense

Secretary of the Treasury

Secretary of the Interior

Secretary of Labor

Secretary of Commerce - Chariman

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CP - 59-93/1

March 10, 1959

The White House

Washington

THE CABINET

Imports of Oil and Its Principal Products

The attached approved paper is circulated for action by the Secretary of the Interior, the Director, Office of Civil and Defense Mobilization and the members of the Cabinet mentioned in the proclamation, and for the others' information.

The President today approved the documents attached, following the Cabinet discussion of Friday, March 6, 1959 (RA - 59-128, Item 3).

Except for the cover-page, this document is no longer privileged.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

IMMEDIATE RELEASE March 10, 1959

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have today issued a Proclamation adjusting and regulating imports of crude oil and its principal products into the United States.

The Voluntary Oil Import Program has demonstrated to me the willingness of the great majority of the industry to cooperate with the Government in restricting imports to a level that does not threaten to impair security. I commend them, and to me it is indeed a cause for regret that the actions of some in refusing to comply with the request of the Government require me to make our present voluntary system mandatory.

The new program is designed to insure a stable, healthy industry in the United States capable of exploring for and developing new hemisphere reserves to replace those being depleted. The basis of the new program, like that for the voluntary program, is the certified requirements of our national security which make it necessary that we preserve to the greatest extent possible a vigorous, healthy petroleum industry in the United States.

In addition to serving our own direct security interests, the new program will also help prevent severe dislocations in our own country as well as in oil industries elsewhere which also have an important bearing on our own security. Petroleum, wherever it may be produced in the free world, is important to the security, not only of ourselves, but also of the free people of the world everywhere.

During the past few years, a surplus of world producing capacity has tended to disrupt free world markets, and, unquestionably, severe disruption would have occurred in the United States and elsewhere except for cutbacks in United States production under the conservation programs of the various state regulatory bodies.

The voluntary controls have been and the mandatory controls will be flexibly administered with the twin aims of sharing our large and growing market on an equitable basis with other producing areas and avoiding disruption of normal patterns of international trade.

The Director of the Office of Civil and Defense Mobilization will keep the entire program under constant surveillance, and will inform the President of any circumstances which in his opinion indicate the need for any further Presidential action. In the event price increases occur while the program is in effect, the Director is required to determine whether such increases are necessary to accomplish the national security objectives of the Proclamation.

The United States recognizes, of course, that within the larger sphere of free world security, we, in common with Canada and with the other American Republics, have a joint interest in hemisphere defense. Informal conversations with Canada and Venezuela looking toward a coordinated approach to the problem of oil as it relates to this matter of common concern have already begun. The United States is hopeful that in the course of future conversations agreement can be reached which will take fully into account the interests of all oil producing states.

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ADJUSTING IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS INTO THE UNITED STATES

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, pursuant to section 2 of the act of July 1, 1954, as amended (72 Stat. 678, 19 U.S.C. 1352a), the Director of the Office of Civil and Defense Mobilization has made an appropriate investigation to determine the effects on the national security of imports of crude oil and crude oil derivatives and products and, having considered the matters required by him to be considered by the said act of July 1, 1954, as amended, has advised me of his opinion "that crude oil and the principal crude oil derivatives and products are being imported in such quantities and under such circumstances as to threaten to impair the national security"; and

WHEREAS, having considered the matters required by me to be considered by the said act of July 1, 1954, as amended, I agree with the said advice; and

WHEREAS I find and declare that adjustments must be made in the imports of crude oil, unfinished oils, and finished products, so that such imports will not so threaten to impair the national security; and

WHEREAS I find and declare that within the continental United States there are two areas, one, east of the Rocky Mountains (Districts I - IV), in which there is substantial oil production capacity in excess of actual production, and the other, west of the Rocky Mountains (District V), in which production is declining and in which, due to the absence of any significant inter-area flow of oil, limited imports are necessary to meet demand, and that accordingly, imports into such areas must be treated differently to avoid discouragement of and decrease in domestic oil production, exploration and development to the detriment of the national security; and

WHEREAS I find and declare that the Commonwealth of Puerto Rico largely depends upon imported crude oil, unfinished oils, and finished products and that any system for the adjustment of imports of such commodities should permit imports into Puerto Rico adequate for the purposes of local consumption, export to foreign areas, and limited shipment of finished products to the continental United States:

more

NOW, THEREFORE, I, DWIGHT D. EISENHOWER, President of the United States of America, acting under and by virtue of the authority vested in me by section 2 of the act of July 1, 1954, as amended, do hereby proclaim as follows:

Sec. 1. (a) In Districts I - IV, District V, and in Puerto Rico, on and after March 11, 1959, no crude oil or unfinished oils may be entered for consumption or withdrawn from warehouse for consumption, and on and after April 1, 1959, no finished products may be entered for consumption or withdrawn from warehouse for consumption, except (1) by or for the account of a person to whom a license has been issued by the Secretary of the Interior pursuant to an allocation made to such person by the Secretary in accordance with regulations issued by the Secretary, and such entries and withdrawals may be made only in accordance with the terms of such license, or (2) as authorized by the Secretary pursuant to paragraph (b) of this section, or (3) as to finished products, by or for the account of a department, establishment, or agency of the United States, which shall not be required to have such a license but which shall be subject to the provisions of paragraph (c) of this section.

(b) Until the Secretary of the Interior is able to make allocations and issue licenses, he may, subject to such conditions as he may deem appropriate, temporarily authorize such entries and withdrawals without licenses and the quantities so entered or withdrawn shall be deducted from any allocation subsequently made by the Secretary to any person who has made any such entry or withdrawal.

(c) In Districts I - IV, District V, and in Puerto Rico, on and after April 1, 1959, no department, establishment, or agency of the United States shall import finished products in excess of the respective allocations made to them by the Secretary of the Interior. Such allocations shall be within the maximum levels of imports established in section 2 of this proclamation.

Sec. 2. (a)(1) In Districts I - IV the maximum level of imports of crude oil, unfinished oils, and finished products, except residual fuel oil to be used as fuel, shall be approximately 9% of total demand in these districts, as estimated by the Bureau of Mines for periods fixed by the Secretary of the Interior. Within this maximum level, imports of finished products, exclusive of residual fuel oil to be used as fuel, shall not exceed the level of imports of such products into these districts during the calendar year 1957 and imports of unfinished oils shall not exceed 10% of the permissible imports of crude oil and unfinished oils.

(2) In Districts I - IV the imports of residual fuel oil to be used as fuel shall not exceed the level of imports of that product into these districts during the calendar year 1957.

(b) In District V the maximum level of imports of crude oil, unfinished oils, and finished products shall be an amount which, together with domestic production and supply, will approximate total demand in this district as estimated by the Bureau of Mines for periods fixed by the Secretary. Within this maximum level imports of finished products shall not exceed the level of imports of such products into this district during the calendar year 1957 and imports of unfinished oils shall not exceed 10% of the permissible imports of crude oil and unfinished oils.

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(c) Such additional imports of crude oil may be permitted in addition to the maximum levels established in paragraphs (a) and (b) of this section as are necessary to meet the minimum requirements of refiners, and pipeline companies using crude oil directly as fuel, which are not able to obtain sufficient quantities of domestic crude oil by ordinary and continuous means, such as by barges, pipelines, or tankers.

(d) The maximum level of imports of crude oil, unfinished oils, and finished products into Puerto Rico shall be approximately the level of imports into Puerto Rico during all or part of the calendar year 1958, as determined by the Secretary of the Interior to be consonant with the purposes of this proclamation, or such lower or higher levels as the Secretary may subsequently determine are required to meet increases or decreases in local demand in Puerto Rico or demand for export to foreign areas.

(e) The Secretary of the Interior shall keep under review the imports into Districts I - IV and into District V of residual fuel oil to be used as fuel and the Secretary may make, on a monthly basis if required, such adjustments in the maximum level of such imports as he may determine to be consonant with the objectives of this proclamation.

(f) The levels established, and the total demand referred to, in this section do not include free withdrawals by persons pursuant to section 309 of the Tariff Act of 1930, as amended (19 U.S.C. 1309), or petroleum supplies for vessels or aircraft operated by the United States between points referred to in said section 309 (as to vessels or aircraft, respectively) or between any point in the United States or its possessions and any point in a foreign country.

Sec. 3. (a) The Secretary of the Interior is hereby authorized to issue regulations for the purpose of implementing this proclamation. Such regulations shall be consistent with the levels established in this proclamation for imports of crude oil, unfinished oils, and finished products into Districts I - IV, into District V, and into Puerto Rico, and shall provide for a system of allocation of the authorized imports of such crude oil, unfinished oils and finished products and for the issuance of licenses pursuant to such system, with such restrictions upon the transfer of allocations and licenses as may be deemed appropriate to further the purposes of this proclamation.

(b) (1) With respect to the allocations of imports of crude oil and unfinished oils into Districts I - IV, and into District V, such regulations shall provide, to the extent possible, for a fair and equitable distribution among persons having refinery capacity in these districts in relation to refinery inputs during an appropriate period or periods selected by the Secretary and may provide for distribution in such manner as to avoid drastic reductions below the last allocations under the Voluntary Oil Import Program. Such regulations also shall provide for allocations of crude oil to persons having operating refinery capacity or having pipeline facilities using crude oil directly as fuel who show inability to obtain sufficient quantities of domestic crude oil by ordinary and continuous means, such as barges, pipelines, or tankers.

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(2) Such regulations shall provide for the allocation of imports of crude oil and unfinished oils into Puerto Rico among persons having refinery capacity in Puerto Rico in relation to refinery inputs during all or a part of the calendar year 1958 as the Secretary may determine.

(3) Such regulations shall require that imported crude oil and unfinished oils be processed in the licensee's refinery except that exchanges for domestic crude or unfinished oils may be made if otherwise lawful, if effected on a current basis and reported in advance to the Secretary, and if the domestic crude or unfinished oils are processed in the licensee's refinery. However, persons receiving allocations of crude oil on the basis of inability to obtain sufficient domestic crude by ordinary and continuous means shall not be permitted to make exchanges.

(4) With respect to the allocations of imports of finished products into Districts I-IV, District V, and Puerto Rico, such regulations shall, to the extent possible, result in a fair and equitable distribution of such products among persons who have been importers of finished products during the respective base periods specified in section 2 of this proclamation.

(c) Such regulations may provide for the revocation or suspension by the Secretary of any allocation or license on grounds relating to the national security, or the violation of the terms of this proclamation, or of any regulation or license issued pursuant to this proclamation.

Sec. 4. For the purpose of hearing and considering appeals or petitions by persons affected by the regulations issued by the Secretary of the Interior, he is authorized to provide for the establishment and operation of an Appeal Board, comprised of one representative each from the Departments of the Interior, Defense, and Commerce to be designated, respectively, by the heads of such Departments. Such representatives shall be of the rank of Deputy Assistant Secretary or higher. The Appeal Board may be empowered, on grounds of hardship, error, or other relevant special consideration, but within the limits of the maximum levels of imports established in section 2 of this proclamation (1) to modify any allocation made to any person under the regulations issued pursuant to section 3 of this proclamation, (2) to grant allocations of crude oil and unfinished oils in special circumstances to persons with importing histories who do not qualify for allocations under such regulations; and (3) to review the revocation or suspension of any allocation or license. The Secretary may provide that such decisions by the Appeal Board shall be final.

Sec. 5. Persons who apply for allocations of crude oil, unfinished oils, or finished products and persons to whom such allocations have been made shall furnish to the Secretary of the Interior such information and shall make such reports as he may require, by regulation or otherwise, in the discharge of his responsibilities under this proclamation.

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Sec. 6. (a) The Director of the Office of Civil and Defense Mobilization shall maintain a constant surveillance of imports of petroleum and its primary derivatives in respect of the national security and, after consultation with the Secretaries of State, Defense, Treasury, the Interior, Commerce, and Labor, he shall inform the President of any circumstances which, in the Director's opinion might indicate the need for further Presidential action under section 2 of the act of July 1, 1954, as amended. In the event prices of crude oil or its products or derivatives should be increased after the effective date of this proclamation, such surveillance shall include a determination as to whether such increase or increases are necessary to accomplish the national security objectives of the act of July 1, 1954, as amended, and of this proclamation.

(b) The Special Committee to Investigate Crude Oil Imports is hereby discharged of its responsibilities.

Sec. 7. The Secretary of the Interior may delegate, and provide for successive redelegation of, the authority conferred upon him by this proclamation. All departments and agencies of the Executive branch of the Government shall cooperate with and assist the Secretary of the Interior in carrying out the purposes of this proclamation.

Sec. 8. Executive Order 10761 of March 27, 1958, entitled "Government Purchases of Crude Petroleum and Petroleum Products" (23 F.R. 2067) is hereby revoked as of April 1, 1959.

Sec. 9. As used in this proclamation:

(a) "Person" includes an individual, a corporation, firm, or other business organization or legal entity, and an agency of a state, territorial, or local government, but does not include a department, establishment, or agency of the United States;

(b) "Districts I-IV" means the District of Columbia and all of the States of the United States except those States within District V;

(c) "District V" means the States of Arizona, Nevada, California, Oregon, Washington, Alaska, and the Territory of Hawaii;

(d) "Crude oil" means crude petroleum as it is produced at the wellhead;

(e) "Finished Products" means any one or more of the following petroleum oils, or a mixture or combination of such oils, which are to be used without further processing except blending by mechanical means:

(1) liquefied gases - hydrocarbon gases recovered from natural gas or produced from petroleum refining and kept under pressure to maintain a liquid state at ambient temperatures;

(2) gasoline - a refined petroleum distillate which, by its composition, is suitable for use as a carburant in internal combustion engines;

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(3) jet fuel - a refined petroleum distillate used to fuel jet propulsion engines;

(4) naphtha - a refined petroleum distillate falling within a distillation range overlapping the higher gasoline and the lower kerosenes;

(5) fuel oil - a liquid or liquefiable petroleum product burned for lighting or for the generation of heat or power and derived directly or indirectly from crude oil, such as kerosene, range oil, distillate fuel oils, gas oil, diesel fuel, topped crude oil, residues;

(6) lubricating oil - a refined petroleum distillate or specially treated petroleum residue used to lessen friction between surfaces;

(7) residual fuel oil - a topped crude oil or viscous residuum which, as obtained in refining or after blending with other fuel oil, meets or is the equivalent of Military Specification Mil-F-859 for Navy Special Fuel Oil and any other more viscous fuel oil, such as No. 5 or Bunker C;

(8) asphalt - a solid or semi-solid cementitious material which gradually liquefies when heated, in which the predominating constituents are bitumins, and which is obtained in refining crude oil.

(f) "Unfinished Oils" means one or more of the petroleum oils listed in paragraph (e) of this section, or a mixture or combination of such oils, which are to be further processed other than by blending by mechanical means.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the City of Washington this tenth day of March
in the year of our Lord
nineeteen hundred and
fifty-nine, and of the
Independence of the United
States of America the one
hundred and eighty-third.

(SEAL)

DWIGHT D. EISENHOWER

By the President:

CHRISTIAN A. HERTER,

Acting Secretary of State.

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REPORT OF SPECIAL COMMITTEE TO INVESTIGATE CRUDE OIL IMPORTS

MARCH 6, 1959

On December 22, 1958, in its Interim Report, your Special Committee to Investigate Crude Oil Imports stated that it would present for your consideration certain recommendations for revisions or changes in the Voluntary Oil Import Program. Pending submission of these recommendations, and with your approval, importers were advised that no changes would be made through February 28, 1959 in crude oil allocations under the Voluntary Oil Import Program and were requested to continue through February 28, 1959 to limit to their present allocations the importation of unfinished gasoline and other unfinished oils.

On January 22, 1959, at the instance of your Special Committee, the Secretary of State and the Deputy Secretary of Defense requested that the Director of the Office of Civil and Defense Mobilization, pursuant to Section 8 of the Trade Agreements Act of 1934, as Amended, make an appropriate investigation to determine the effects on the national security of imports of crude oil and its derivatives and products.

On February 27, 1959, the Director, Office of Civil and Defense Mobilization, reported to you that crude oil and its principal derivatives were being imported into the United States in amounts which threaten to impair the national security. In the light of that finding, the Special Committee recommends that the Voluntary Oil Import Program be replaced by a mandatory program which will limit the imports of crude oil and certain derivatives to such levels as the national security requires and will allocate such imports as are authorized among companies in a fair and equitable manner. The Committee considers that, although the majority of the oil industry has complied with the Voluntary Program, the following factors compel mandatory action: excessive imports by companies who have not complied with the Voluntary Program; a threat to the success of the Voluntary Program because of increased importation of unfinished oils and products; the likelihood of increased non-compliance among companies now having allocations when they are asked to cut back imports voluntarily in order to provide allocations for newcomers to the program; and the impossibility of working out a desirable and legally permissible revision of the Voluntary Program acceptable to this Committee which will take care of these requirements.

The Committee makes the following recommendations with respect to a Mandatory Program:

1. In view of the Director's determination that imports of "crude oil and the principal crude oil derivatives and products" threaten to impair the national security, imports of crude oil and the following derivatives, whether unfinished oils or finished products, should be controlled:

Liquefied petroleum gases
Gasoline
Kerosene
Jet Fuel
Distillate Fuel Oil
Lubricating Oils
Residual Fuel Oil
Asphalt

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2. No control should be imposed on fuels of foreign origin withdrawn from bond tax free as supplies for vessels or aircraft as provided in the Tariff Act of 1930. (Estimates of total demand used to fix levels of imports would not include demand for such supplies.) This provision is not intended to exempt government agencies from limitations elsewhere recommended with respect to finished products.

3. In Districts I-IV, where there is substantial oil production capacity in excess of actual production, the maximum level of imports of crude oil, unfinished oils, and finished products (except residual fuel oil to be used as fuel) be limited to approximately 9 percent of total demand in such districts. Within this maximum level, imports of finished products (exclusive of residual fuel oil to be used as fuel) should not exceed the level of imports of such products during 1957. In addition, imports of residual fuel oil to be used as fuel also should be confined to the 1957 level.

4. In District V, (including Alaska and Hawaii), where production is declining and where, due to the absence of any significant inter-area flow of oil, limited imports are necessary to meet demand, the maximum level of imports of crude oil, unfinished oils, and finished products be limited to such amount as, when added to domestic production and supply, would approximate the total demand in that District. Within this maximum level, imports of finished products (including residual fuel oil to be used as fuel) should be held to the level of imports of such products during 1957.

5. Such additional imports of crude oil over and above these limits be permitted as are necessary to meet the minimum requirements of refiners, and pipeline companies using crude oil directly as fuel, not able to obtain sufficient quantities of domestic crude oil by ordinary and continuous means, such as by barges, pipelines or tankers.

6. In Districts I-V, the Secretary of the Interior should keep under review the imports of residual fuel oil to be used as fuel and should be authorized to make, on a monthly basis if required, such adjustments in the level of such imports as he may determine to be consonant with the objectives of the program.

7. In order to make the foregoing limitations effective, imports of crude oil, unfinished oils, and finished products into Puerto Rico should be limited to an amount which would not substantially exceed the level of imports during all or part of 1958, as determined by the Secretary of the Interior to be consonant with the purposes of the Mandatory Program, or such higher or lower levels as the Secretary may subsequently determine are required to meet increases or decreases in local or export demand. The Secretary should be authorized to allocate imports or crude oil and unfinished oils between the two refineries in Puerto Rico and imports of finished products among importers during a base period selected by him.

8. The Secretary of the Interior be delegated the responsibility to allocate imports of crude oil and unfinished oils, under standards which would:

(1) restrict such allocations to those companies having refinery capacity in the United States.

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(2) provide that refinery inputs would be used as a basis for allocations, except that initially no company having inputs during the base period selected shall receive less than 80 percent of their last allocation under the Voluntary Oil Import Program.

(3) provide for allocations of crude oil (but not unfinished oils) to meet the minimum requirements of refiners and pipeline companies using crude directly as fuel showing inability to obtain sufficient quantities of domestic crude oil by ordinary and continuous means, such as barges, pipelines, or tankers.

9. In Districts I-V, the importation of unfinished oils by each company receiving an allocation of crude oil and unfinished oils should be limited to 10 percent of the allocation, by volume.

10. The Secretary of the Interior should require that imported crude oil and unfinished oils be processed in the importer's refinery except that exchanges for domestic crude or unfinished oils may be made if otherwise lawful, if effected on a current basis and reported in advance to the Secretary, and if the domestic crude or unfinished oils are processed in the importer's refinery. Refiners and pipeline companies receiving allocations of crude oil on the basis of inability to obtain sufficient domestic crude by ordinary and continuous means should not be permitted to make exchanges.

11. The Secretary of the Interior should be authorized to allocate imports of residual fuel oil to be used as fuel and finished products among companies who imported during 1957, and in the amounts imported by them during such period. Government agencies should be required to obtain allocations for the importation of finished products.

12. Controls on the importation of finished products (including residual fuel oil to be used as fuel) should become effective on April 1, 1959. Controls on the importation of crude oil and unfinished oils should become effective on March 11, 1959. The first allocation period should terminate June 30, 1959 and allocations thereafter should be for periods of six months. Refinery inputs and demand should be reviewed by the Secretary of the Interior prior to the beginning of each allocation period. In estimating demand for initial allocations, the Bureau of Mines' estimates of demand for the first half of 1959 should be used.

13. The Director of the Office of Civil and Defense Mobilization should be instructed to maintain a constant surveillance of imports of petroleum and its primary derivatives in respect of the national security and, after consultation with the Secretaries of State, Defense, Treasury, Interior, Commerce, and Labor, to inform the President of any circumstances which, in the Director's opinion, might indicate the need for further Presidential action under Section 8 of the Trade Agreements Extension Act of 1958.

14. Provide that Executive Order 10761, dated March 27, 1958, shall be revoked as of April 1, 1959.

15. The Special Committee to Investigate Crude Oil Imports should be discharged of its responsibilities.

16. The Secretary of the Interior should be authorized to provide for the establishment and operation of an Appeal Board, comprised of one representative each from the Departments of the Interior, Defense,

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and Commerce, and to empower the Board, on grounds of hardship, error, or other relevant special consideration, but within the limits of the maximum levels of imports established, to modify allocations, to grant allocations of crude oil and unfinished oils in special circumstances to companies with importing histories who do not qualify under the foregoing provisions, and to review the revocation or suspension of any allocation or permit. The Secretary should be authorized to provide that decisions by the Board be final.

Respectfully submitted,

Christian A. Herter
Acting Secretary of State

Donald A. Quarles
Secretary of Defense

Robert B. Anderson
Secretary of the Treasury

Fred A. Seaton
Secretary of the Interior

James P. Mitchell
Secretary of Labor

Lewis L. Strauss
Secretary of Commerce - Chairman

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF CIVIL AND DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

Office of the Director

February 27, 1959

MEMORANDUM FOR THE PRESIDENT

In letters of January 22, 1959, the Secretary of State and the Deputy Secretary of Defense requested me to conduct an investigation of imports of crude oil and its derivatives and products in keeping with Section 8 of the Trade Agreements Extension Act of 1958 (19 U.S.C. 1352a). As you know, the purpose of such investigations is to determine the effects upon the national security of the imports involved.

On January 28, 1959, I announced that I would undertake the investigation requested and caused notice of it to be published in the Federal Register of that date. I have now completed what I consider to be an appropriate and comprehensive study of the whole question of oil imports and their relationship to the national security.

In the course of this investigation, I have examined the history of the government's involvement in this matter and have studied the earlier recommendations given you by the Honorable Gordon Gray, former Director of the Office of Defense Mobilization.

I have also reviewed your establishment of the Special Committee to Investigate Crude Oil Imports, and the findings and recommendations of the Special Committee. This review has included examination of the voluntary oil import limitation program which was set in motion and of developments since its inception.

As Section 8 requires, I have also sought current information and advice on the oil import situation from the Departments of State, Defense, Interior and Commerce. Likewise, I requested and received from the Department of Interior comprehensive data, covering the period of the last ten years, which the Department believed relevant to the investigation.

Finally, more than ninety formal statements and numerous personal representations have been received from industry sources during this study, offering many points of view and a mass of information, advice and comment.

Upon this broad base of study and review, the following facts emerge:

1. The government has been concerned with the trend towards increasing oil imports at least since 1954. Through studies, public hearings and statements and through government action, the national interest in maintaining imports in reasonable balance has been established clearly.

In February, 1955, there was issued a Report on Energy Supplies and Resources Policy. The Report was prepared by an Advisory Committee on Energy Supplies and Resources Policy, which you established on July 30, 1954. In part, the Report contained the following: "An expanding domestic oil industry, plus a healthy oil industry in friendly countries which help to supply the United States market, constitute basically important elements in the kind of industrial strength which

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contributes most to a strong national defense. Other energy industries, especially coal, must also maintain a level of operation which will make possible rapid expansion in output should that become necessary. In this complex picture both domestic production and imports have important parts to play; neither should be sacrificed to the other . . . . . The Committee believes that if the imports of crude oil and residual oil should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and the discovery of new sources of supply. . . In view of the foregoing, the Committee concludes that in the interest of national defense imports should be kept in the balance recommended above."

2. Nevertheless, oil imports continued to rise gradually, interrupted only by the closing of the Suez Canal, the interruption of normal oil transportation, and the consequent requirement that the United States assist in supplying friendly countries with oil which they could not obtain from normal sources.

As a consequence of the increased level of imports scheduled for the last half of 1956, the Independent Petroleum Association of America filed a petition on August 7, 1956, requesting a limitation of imports under Section 7 of the Trade Agreements Extension Act of 1955. Public hearings were held on this petition during October, 1956. Early in December, 1956, however, the Director of the Office of Defense Mobilization (the Honorable Arthur S. Flemming) announced that he was suspending action on the case because of the changed conditions growing out of the Suez crisis. At the same time, he made this statement: "Import programs of the importing companies recently filed with the ODM show that the plans they had formulated for 1957, if carried out, would be contrary to the Committee's recommendations and would constitute a threat to our national security. This situation, without other intervening circumstances (the Suez crisis), would have left no course for me but to make a certification to the President under Section 7 of the Trade Agreements Extension Act of 1955."

Meantime on October 17, 1956, the Advisory Committee on Energy Supplies and Resources Policy had reaffirmed its earlier finding.

3. It was in this context and on the basis of his own investigation that Mr. Gray made the following finding in his post-Suez April 23, 1957, certification to you: "Upon the basis of present imports and their trend over the last several years, together with forecasts of their trend in the next few months, I do hereby advise you, pursuant to Section 7 of the Trade Agreements Extension Act of 1955, that I have reason to believe that crude oil is being imported into the United States in such quantities as to threaten to impair the national security."

On April 25, 1957, you stated your intention to cause an investigation to be made to determine the facts and shortly established the Special Committee to Investigate Crude Oil Imports.

The Special Committee's findings of July 29, 1957, supported Mr. Gray's certification and indicated that a limitation on imports was required. The Committee recommended a voluntary import limitation plan and it was put into effect. That program has continued to operate up to the present time.

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4. Notwithstanding the effectiveness of the voluntary limitation plan, the quantities and circumstances of oil imports have not been stabilized. Particularly as to the principal crude oil derivatives and products, import quantities have increased during the life of the voluntary program and the circumstances of at least a considerable portion of such increased imports suggest circumvention of the intent of the limitation program.

The following figures, supplied me by the Office of Oil and Gas, Department of the Interior, are relevant:

PRODUCTION (Districts I-V)	(Thousands of barrels per day)					
	1954	1955	1956	1957	1958*	1958**
Crude Oil	6342	6807	7151	7170	6670	6707
IMPORTS (Districts I-V)						
Crude Oil	656	782	934	1023	942	961
Residual	354	416	445	475	476	488
Unfinished	21	15	7	3	87	88
Other	21	34	49	71	150	148

* Eleven months figures (Bureau of Mines)
** Preliminary full year

For December, 1958, the following import figures have been made available to make possible the preliminary full year figures in the table above. The preliminary January, 1959, figures are also supplied below:

IMPORTS (Districts I-V)	Dec. 1958*	Jan. 1959*
Crude Oil	1174	844
Residual	620	794

* Dec. and Jan. figures (API)

5. As to exploration for and development of new domestic reserves, the Acting Secretary of Commerce states that "It is my considered opinion that the present rate of imports of crude oil and its derivatives and products is a major contributing factor to the decline in drilling operations both for exploration and development in the search for new oil reserves. . . . . Continuation of this trend will inevitably result in a lowering of our available reserves."

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The Office of Oil and Gas has made the following figures available, specifying that the number of wells completed during the last few years has been depressed somewhat by the growing practice of producing from several formations at different depths from a single "well."

NO. WELLS DRILLED DURING YEAR (Districts I-V)	1954	1955	1956	1957	1958*
Oil	29773	31567	31258	28164	25262
Gas	3437	3613	4115	3902	3674
Dry	19168	20742	21838	20701	18812
Service	1005	760	1049	1061	1353
	53930	56682	58160	53278	49111

* Preliminary figures

For January, 1959, the following figure has been supplied as to all wells drilled:

NO. WELLS DRILLED (District I-V)	Jan. 1959
	4654

Thus, total wells drilled declined in 1958 for the second year.

6. In the light of the foregoing facts, the whole situation has clearly not improved since Mr. Gray's certification to you in April, 1957, despite the operations of the voluntary import limitation plan. I am satisfied that if it were not for the voluntary program oil imports in general would have risen drastically.

7. Finally, it is apparent to me that in the current world over-supply situation, excessive quantities of low-priced oils from off-shore sources are seeking a United States market. In such a situation, without control of production in relation to demand by the countries of origin, it is to be expected that there would be substantial economic incentives to increase imports into the United States.

The consequences would continue to upset a reasonable balance between imports and domestic production, with deleterious effect upon adequate exploration and the development of additional reserves which can only be generated by a healthy domestic production industry.

Accordingly, as a result of my investigation pursuant to Section 8 of the Trade Agreements Extension Act of 1958, I advise you of my determination that crude oil and the principal crude oil derivatives and products are being imported in such quantities and under such circumstances as to threaten to impair the national security.

As required by the statute, a report of this investigation will be made and published shortly.

LEO A. HOEGH

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF CIVIL AND DEFENSE
MOBILIZATION
WASHINGTON 25, D. C.

Office of the Director

March 4, 1959

MEMORANDUM FOR THE PRESIDENT

Supplementing my memorandum to you dated February 27, 1959, with regard to the investigation of imports of crude oil and its derivatives and products, I submit the following considerations and comments:

For the period 1954 to 1958 the domestic demand for petroleum products increased 15.5% while domestic crude oil reserves were increasing only 2.8%. This deterioration in the reserve-demand ratio threatens an insufficiency in our domestic supply of petroleum for the requirements of an expanding industrial economy and, in turn, for the requirements of national security. There is a direct relationship between this decline and the fall-off in exploratory drilling to which I referred in my earlier memorandum.

Clearly, the decline in exploratory drilling is itself related to the quantities and circumstances of crude and products importation from areas of very much greater proven reserves where production costs are very substantially lower than costs in this country.

These considerations support the opinion which I expressed to you last week that an impairment of our national security is threatened by these imports.

I shall of course be happy to render any assistance in my power in your determination of the action or actions which might serve to relieve this threat. Meanwhile, it is submitted that so long as imports jeopardize a healthy domestic oil industry there exists a threat to national security within the intent of the "national security" provision of the Trade Agreements Extension Act of 1958.

LEO A. HOEGH

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CABINET PAPER—PRIVILEGED

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CA - 59-129

March 12, 1959

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, March 13, 1959

1.	Revised Recommendations Concerning Charges for Certain Government Services	CP - 59-49/4 CP - 57-49/3	The Director, Bureau of the Budget
2.	Gold Holdings and Movements	(Oral)	The Secretary of the Treasury
3.	The National Health Agency Campaign	(Oral)	The Secretary of Health, Education, and Welfare
4.	Briefing on Berlin and Germany	(Oral)	The Director, Central Intelligence Agency The Acting Secretary of State

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

March 13, 1959
9:05 a. m. --- 11:20 a.m.

The following were present:

President Eisenhower

Vice President Nixon

Acting Sec. Herter (in part)
for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Strauss
Under Sec. of Labor O'Connell
(for Sec. Mitchell)
Sec. Flemming

Director Stans
Gov. Hoegh

Dr. Libby, AEC
Dr. Saulnier, CEA
Dr. F. L. Howard, Treasury
Mr. Allen Dulles, CIA
Mr. Raoul Archambault,
Budget

Gen. Persons
Mr. Morgan
Dr. Paarlberg
Mr. Merriam
Mr. Kestnbaum
Maj. Eisenhower
Mr. Siciliano
Mr. Kendall
Mrs. Wheaton
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

User Charges (CP 59-49/4) - The President opened this item by stating that it appeared there was need for modifying the plan developed sometime ago. Mr. Stans then reviewed the Cabinet paper and emphasized that Congress had reversed its position since 1950 when it had generally endorsed user charges, but in the intervening years had taken an increasingly active interest and direction that tended to prevent adoption of user charges. For instance, the increase in patent charges had been before the Congress for three or four years without action.

Mr. Stans noted the great sensitivity that existed over any possibility of user charges in connection with meat and poultry inspection and coal mine inspection, as also patents. He emphasized, too, that a good many governmental functions provided identifiable user benefits but that the cost of providing them was so slight (two or three cents per person for White House tours) that it would be absurd to attempt to obtain reimbursement.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-19-77

Mr. Kestnbaum felt that a great deal of knowledge had been obtained in the several years that this study had been worked up and that it was now possible to adopt the most rational and effective plan for concentrating on some areas and dismissing others. He thought certain other broad programs in the field of management might also be treated this way in future months.

The President ascertained from Mr. Seaton that oil leases come under specific legislation and that the Government obtains royalties from oil development of public lands in a completely separate procedure from the original lease charges. He also made certain that a part of the public lands under Interior had grazing charges established by law whereas Agriculture's grazing charges are not fixed by law. The President also called attention to the problem resulting from the requirement that proceeds from the sale of Government property be turned in to the Treasury, since the Departments might be more anxious to dispose of some of their holdings if they could be assured of obtaining the proceeds for other improvements. Mr. Rogers cited the National Training School as an example of this. Justice was anxious to dispose of this expensive facility and relocate at a more desirable site, but Congress would never provide the funds for a new site and building. Mr. McElroy cited Defense's reluctance to give up certain Oahu areas that ought become public property.

Regarding patents, Sec. Strauss pointed to the opposition of patent lawyers who felt their business would suffer if charges were increased. He was seriously concerned because costs would necessarily rise through the years as the difficulty of patent search increases. The Department is endeavoring to utilize new electronic mechanisms to speed the search process.

The President concluded the discussion by stating his agreement that meat and poultry and mine inspections should be dropped from the program, and the recommendations in the paper were approved.

Gold Movements - Sec. Anderson made a lengthy presentation on the history of the relationship of gold to American currency and presented charts showing the ups and downs of American gold holdings and also the outstanding potential claims of foreign nations on our holdings. After some $12 billion worth of gold is set aside for the 25% reserve required to back our currency, approximately $8-1/2 billion remains for meeting foreign claims which actually exceed this amount considerably. Mr. Anderson was not disturbed by this, however, for there is no reason for all of these claims to be presented simultaneously so long as confidence exists in the solidity of the US dollar.

With regard to recent trends of heavier conversions of dollars into gold, Mr. Anderson pointed out that foreign nations are maintaining their established levels of American dollar holdings and that the conversions represent their excess earnings of dollars in any given year.

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Regarding agitation for raising the price of gold, Mr. Anderson explained that advocates of this have varying reasons -- to make gold mining more profitable, or to provide indirectly (and probably unsuccessfully) a bar to excessive Congressional spending, or merely to provide a windfall to those who hold gold. Raising the price of gold, however, would be a boon to the Russians, would reduce the value of some $20 billion of our currency with only a very insignificant increase in the value of Government gold holdings, and seriously shake the world's confidence in the US dollar.

Mr. Anderson warned repeatedly against even the slightest hint that the subject might ever be taken under consideration, for this would be sufficient to shake confidence and start a run on our gold holdings. He asked members of the Cabinet to be overly sensitive to this matter because questions on it keep cropping up in strange places.

Related to this whole question was the matter of US fiscal management policies which foreign governments watch closely to judge the strength of our dollar.

There was brief discussion of the mechanics of minting gold under the mark of various countries and of international transfers accomplished in New York banks.

The President recalled the attention he had given to this matter during the 1952 campaign and shortly thereafter prior to putting the question aside.

Health Agency Campaign - Dr. Flemming requested Cabinet members to check up on progress of this campaign within their agencies and give it a stimulant for it was dragging somewhat.

Dr. Flemming then made a preliminary report connected with the President's request last fall for information on health research groups and administrative costs. Dr. Flemming stated that preliminary figures for the five largest heart and cancer groups showed that of a total of $134 million, 26% went to medical treatment, 16% to research, 18% to educational grants, 16% to community services, 13% to fund-raising itself, and 11% to all other administration.

Dr. Flemming also pointed out that between 1952 and 1959 the total of private and governmental funds devoted to medical research had increased from $173 million to $575 million. In 1952 Government had provided only $73 million whereas foundations and health agencies had provided $25 million or one-third as much. The remainder came from industry

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and certain endowments. In 1959 $295 million comes from Government whereas $47 million -- or one-sixth -- is from foundations and health agencies.

Dr. Flemming informed the President that the health campaign did not have a dollar quota or goal but looked rather for 100% participation. Mr. Benson thought this a very fine arrangement.

The President noted that he had this interest because so many different organizations seemed to be active in the same field.

Berlin - The President introduced this item by reminding the Cabinet that Berlin is merely an incident in a continuing series and that the adequacy of our defenses should not be measured in terms of the existence of the Berlin problem. Instead, the United States has to rely on a long range plan, insuring the existence of a solid, adequate security force, tailored to our needs, and looking to a continuation of the cold war for the next twenty, thirty, forty, or however many years go by until there is a weakening within Russia of the Communists' determination to conquer the world for Communism.

The President stated that in this particular instance there was unusual difficulty, that the Russians had the advantage of pressing the issue by doing nothing instead of engaging in some overt action, hence the United States had to be very careful to avoid doing anything that could be regarded as aggression. Nevertheless, the United States had to stand firm even should the situation come down to the last and ultimate decision, although neither he nor the State Department believed it would ever be allowed to go to that terrible climax. The President thought the Cabinet should not regard this as the beginning of the end, nor should it think it possible to end tension by walking away from it. That would merely cause the destruction of peace.

The President said there was good reason to believe that the Russians did not want war especially since they had, in their view, reason to think they were winning under present developments short of war. It would be very easy, of course, for the Russians to transfer the focus of attention to Iraq, as already there is some evidence -- or elsewhere.

Mr. Allen Dulles informed the President that good information had been obtained just this morning that the Russians are definitely making the necessary preparations for their military departure from Berlin.

(The President left the meeting at this point.)

Mr. Dulles gave an encouraging report on his brother's condition. He then reviewed the history, geography, economics and other factors involved in the Berlin problem, emphasizing that Russian troops remained

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By BHC NLE, Date 8-19-77

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throughout East Germany even though Berlin might be vacated. He set forth the estimate by American officials that the Soviets did not want to run any grave risk of war over Berlin, that Mr. Khrushchev was ready to negotiate within limits, but that he had committed himself to turning East Berlin over to the East Germans and to Russian evacuation of East Berlin.

Mr. Herter supplemented Mr. Dulles' remarks with an explanation of the diplomatic status of the matter, noting particularly the need for concerting with our allies a reply to Mr. Khrushchev's latest letter and the difficulties thereof. He stated that some of our allies wanted to commit a summit meeting immediately, whereas we believed that a premature commitment would make a meeting of Foreign Ministers very sterile indeed. Also the possible role of the UN is being carefully studied.

Mr. Summerfield asked if the United States was gradually losing in the military field its position of advantage. Mr. McElroy responded that this was, of course, true ever since the Russians learned how to make atomic weapons and it would continue to be true as the Russians develop capacity for delivering intercontinental missiles in quantity. He said that because of the population margin, the US deterrent really had to be that of massive retaliation. However, the Russian interest seemed to lie in creating a continuing series of tensions to serve as delaying tactics, for if they had really wanted a massive war they could have brought one on any day. Mr. McElroy also stressed that the free world force opposing Communism is an alliance, hence the Russians keep searching for issues that might serve to split the alliance. After brief comments by Mr. Summerfield and Sec. Benson, Sec. McElroy added that the important thing was for the country to realize that we had to live with these tensions and the danger of a general war for a long time to come, and that the situation will improve so long as the United States is firm; for firmness is the only way to deal with this. Mr. Herter concurred, commenting on the great trouble that could ensue if we began to give in to threats, and Mr. McElroy pointed to Munich with a loud Amen!

L. A. Minnich, Jr.

Copies to:
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Mr. Robert Gray
Mr. Minnich

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March 19, 1959

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, March 13, 1959:

1. Revised Recommendations Concerning Charges for Certain Government Services — CP - 59-49/4, CP - 57-49/3

ACTION:

a. Cabinet Paper 59-49/4 was approved.

b. The Director of the Bureau of the Budget will present at Cabinet in the near future his analysis and further recommendations with respect to the disposal of surplus Federal property. This presentation is to cover, among other things, the question of increasing the incentives for the Departments and Agencies to effect such disposals through permitting them in certain cases to invest the proceeds in new acquisitions or improvements.

2. Gold Holdings and Movements

ACTION:

The Members of the Cabinet noted with agreement the request by Secretary Anderson at the conclusion of his informational presentation that no Administration official should attempt to answer outside queries concerning the subject of gold without consultation with the Secretary of the Treasury.

3. The National Health Agency Campaign

ACTION:

Each Cabinet Member is to check personally on the status of this campaign within his own Department and is to satisfy himself that the campaign is proceeding satisfactorily toward its goal of 100% participation.

4. Briefing on Berlin and Germany

Information Item Only

Robert Gray
Secretary to the Cabinet

Approved by the
President:
March 19, 1959

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

March 12, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for March 13, 1959

The following matters are scheduled for the Cabinet agenda:

1. Review of Progress Toward the Coordination of Agency Regional Boundaries (Governor Hoegh)

At Cabinet on April 25, 1958 ~~you~~ the Pres. asked that the regional boundaries of certain of the agencies which are important for civil defense and defense mobilization should be standardized -- the standardization to apply both for peacetime and emergency functions.

Implementation of this decision was deferred until Fall; at which time, following the evaluation of OPERATION ALERT, 1958, you reaffirmed your decision (October 9).

Since that time, Director Hoegh has been trying to work out the actual boundary changes and the dates for change-over with the agencies chiefly concerned. There has been some resistance.

Because of this, Governor Hoegh is now inclined to recommend that your original decision be modified, and that several of the agencies be permitted to make no changes in their regional boundaries except in times of (a) actual emergency or (b) civil defense exercises.

2. Revised Recommendations Concerning Charges for Certain Government Services (Director Stans)

In May 1957, you approved the Report of the Interdepartmental Committee on User Charges. This Report proposed an Administration program to impose charges for those government services which confer a special benefit on an identifiable person or group. The agencies were asked to prepare legislative amendments which would remove any present restrictions on their ability to impose charges; these amendments were to be sent in a package with a proposed Congressional policy statement on fees and charges, the whole to be covered by a strong Presidential message.

Experience since May of 1957 reveals that neither the agencies nor the substantive committees of the Congress favor pushing all parts of this program with the same vigor; it is apparent that omnibus legislation would get nowhere. Since there has been encouraging progress to date in some areas of this program, Director Stans believes it will be more profitable to keep up our progress in Administrative action and to seek those individual legislative amendments for which there is reasonable support. He will present his "revised recommendations."

3. Gold Holdings and Movements (Secretary Anderson)

The Nation's gold reserves have declined during 1958. While the rate of decline has been slowing down, the significance of these outflows is sufficient to bring it to the attention of yourself and the Cabinet.

4. The National Health Agency Campaign (Secretary Flemming)

Secretary Flemming is the Government Chairman this year for the National Health Agency drive -- one of the two fund-raising campaigns which take place in Federal offices in the Washington area pursuant to the approved policy on fund-raising among government employees.

Dr. Flemming will give the campaign a Cabinet "kick-off."

5. Briefing on Berlin and Germany (Director Dulles
Acting Secretary Herter)

This presentation will be a repetition of some of the material already given to you. For this reason, you may wish to leave the Cabinet room after you have introduced the item.

Robert Gray
Secretary to the Cabinet

March 9, 1959

MEMORANDUM

SUBJECT: Cabinet Agenda for Friday, March 13

The following matters are tentatively scheduled for the Cabinet agenda this coming Friday:

1. Final Cabinet Comments on the Office of Executive Management — Chairman Flemming

As Secretary Anderson asked and the President agreed at the Cabinet meeting of January 23, the drafts of the Message to Congress and of the Statute establishing the Office of Executive Management have been circulated on an "eyes only" basis to the members of the Cabinet. Dr. Flemming, as Chairman of the Advisory Committee on Government Organization, held a lunch last Wednesday with several of the Cabinet Members and explained to them in more intimate detail what this new proposal involves.

2. Revised Recommendations Concerning Charges for Certain Government Services — Director Stans

In May 1957, the Cabinet concurred in and the President approved the Report of the Interdepartmental Committee on User Charges. This Report proposed an Administration program to impose charges for those government services which confer a special benefit on an identifiable person or group. The agencies were asked to prepare legislative amendments which would remove any present restrictions on their ability to impose charges; these amendments were to be sent in a package with a proposed Congressional policy statement on fees and charges, the whole to be covered by a strong Presidential message.

Experience since May of 1957 reveals that neither the agencies nor the substantive committees of the Congress favor pushing all parts of this program with the same vigor; it is apparent that omnibus legislation would get nowhere. Since there has been encouraging progress to date in some areas of this program, Director Stans believes it will be more profitable to keep up our progress in Administrative action and to seek those individual legislative amendments for which there is reasonable support. He is ready to present these "revised recommendations" on Friday.

3. Review of Progress in the Coordination of Agency Regional Boundaries — Governor Hoegh

At Cabinet nearly a year ago (April 25, 1958) it was agreed that the regional boundaries of certain of the agencies which are important for civil defense and defense mobilization should be standardized -- the standardization to apply for both peacetime and emergency functions.

Implementation of this decision was deferred until Fall; at which time, following the evaluation of OPERATION ALERT, 1958, it was reaffirmed by the President on October 9.

Since that time, Director Hoegh has been trying to work out the actual boundary changes and the dates for change-over with the agencies chiefly concerned.

Governor Hoegh wishes to report back to the Cabinet and the President on Friday the state of progress in this effort.

4. Post-Cabinet Briefing on the Berlin and German Situations

The Vice President reports that after Cabinet last Friday, several of the members of the Cabinet had inquired whether a briefing on the Berlin and German situations -- such as given to the Congressional leaders Friday morning, could not be given also to the Cabinet. I would recommend this -- on a post-Cabinet basis, for Friday.

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

V.P. says several Cab. members sd. to him this morning that they felt they should have a briefing on Berlin as the opposition Congressional leaders were this morning.

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CP - 56-49/3
May 3, 1957

The White House
Washington

THE CABINET

Charges for Certain Government Services

The attached approved paper is circulated for action by each Cabinet and Agency head, under the general guidance of the Bureau of the Budget.

This paper, including the Brief, and the Recommendations set forth in both, was approved at the Cabinet meeting of May 3, 1957 (RA - 57-73, Item 5).

This paper is and, until further notice, will continue to be privileged; the original instructions on special handling and treatment are, however, rescinded.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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CP - 57-49/3
May 3, 1957

THE WHITE HOUSE

Washington

THE CABINET

Charges for Certain Government Services

BRIEF

Background

In rendering services and in selling or leasing resources and property, the Federal Government provides many special benefits to individuals or groups. There is, however, no uniform Government-wide procedure for determining what and how much should be charged to such recipients of special benefits to assure equitable and comparable treatment. An Interdepartmental Committee on User Charges has conducted a review of present user charge practices in selected agencies. The Committee has developed general policies criteria and standards for Government-wide application, providing the basis for a long-range program. The Committee is convinced that this program will (a) provide greater equity in the provision of Government services, (b) reduce pressures for special services, (c) provide a yardstick to evaluate future legislative and program requirements, and (d) increase revenues by many millions of dollars annually.

Recommendations

The Committee recommends that an active program of charges and fees be adopted, using the following points as its cornerstone:

A. Concerning Policy

1. A charge should be imposed to recover the full cost to the Federal Government of providing special benefits which are above and beyond those accruing to the public at large.

2. A fair market value should be realized from the sale or use of Federally-owned resources or property.

B. Concerning Costs, Fees and Receipts and Their Determination

Since the initiation and development of a user charge program is basically an agency responsibility, each agency should:

1. Determine the extent of the special benefits provided,

2. Apply accepted governmental accounting principles in determining costs,

3. Establish the charges, and

4. In the case of the use or sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

C. Concerning Implementation

1. Each of the affected agencies should prepare legislative proposals, in line with the above cornerstone policies, to remove all restrictions on its authority to assess charges and fees. These proposals should incorporate a recommended expression of congressional policy on charges and fees, and authorize the President to initiate such rules, regulations, and advisory groups as he deems necessary to implement an aggressive and continuing user charge program throughout the Government. These proposals should be transmitted to the Congress simultaneously, accompanied by a strong Presidential message.

2. This program concerning user charges should be carried through within the existing governmental framework in both the agencies and the Bureau of the Budget. The Bureau of the Budget would continue to exercise its coordinating role.

3. The President should designate an advisory committee of five qualified persons, familiar with Government operations, to advise the President and the agencies and to provide guidance to the Bureau of the Budget on the public policy considerations involved in applying user charges. The Bureau of the Budget would furnish the secretariat for this committee.

4. Increased efforts to carry out the recommended policies should be made in those areas where legislative authority already exists for initiating or increasing charges, concurrent with the efforts to obtain legislation for the removal of restrictions in other areas.

Concurrences

The Interdepartmental Committee on User Charges (Budget, Treasury, Interior, Agriculture, Commerce).

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CP - 57-49/3
May 3, 1957

THE WHITE HOUSE

Washington

THE CABINET

Charges for Certain Government Services -- Report of the Interdepartmental Committee

The Problem

Among the numerous services performed by the Federal Government in the public interest, many provide an added special benefit to individuals or groups. The Government is also extensively engaged in the sale and leasing of Government-owned resources and property. Uniform Government-wide policies or procedures for applying user charges, however, do not exist. Variations in charges for similar activities exist between and even within agencies, resulting in hidden subsidies, inequities, and a burden on the general taxpayer. Efforts to correct the present situation have been piecemeal and have had only limited success. The President, however, on several occasions has stated his firm belief in the principle that, as a matter of equity, the recipients of the special benefits should pay for the full applicable cost of the special services provided, and that a fair market value should be obtained from the use or sale of Government-owned resources or property.

Establishment of the Interdepartmental Committee

To achieve the above objective, the Cabinet recommended, and the President requested, that the Bureau of the Budget and several other agencies form an interdepartmental committee to study the problems involved and to make any necessary recommendations. The Interdepartmental Committee on User Charges was accordingly established on May 25, 1956, its membership consisting of an assistant secretary of each of the Departments of Agriculture, Commerce, Interior, and Treasury, and the Deputy Director of the Bureau of the Budget. The Interdepartmental Committee, pursuant to the Cabinet suggestion, has completed its overall review of agency user charge practices, and has developed recommendations with respect to (1) general policies governing charges, (2) specific standards and criteria to be used in determining fees, and (3) measures for implementing a positive user charge program.

Coverage

The scope of the Committee's study was Government-wide in its application, but the study itself covered only a selected number of agencies and operations within those agencies. The activities examined on a sample basis included: licensing; testing, inspection and grading; use of air and water navigation aids and facilities; use of money and credit; publications; maps, charts, and aerial photographs; special studies, recreation and tourist facilities; grazing; oil, gas, and mineral leasing and mining claims; miscellaneous land uses; and use of Government-owned patents. Selected operations which reflect the major non-Federal users or beneficiaries within each of these general activities were examined.

The Committee agreed that even though the Cabinet (CP - 56-49/2) had asked the Committee to examine the fee aspects of water resources (power, flood control and irrigation), this area should be excluded from the Committee's study because comprehensive recent studies already exist.

CABINET PAPER

For Action

Similarly, the areas of postal rates, fringe benefits for military and Federal employees and sale of surplus property have been excluded from the scope of this review. Also excluded are the activities of the legislative branch, the Judiciary, and the municipal governments of the District of Columbia and the Canal Zone.

General Situation

Basically there are two broad categories of charges -- those related to recovering the cost of providing a special service or benefit, and those concerned with recovering a fair market value for the use or sale of Federally owned resources or property. With respect to the first, there is no consistent approach in the application of user charges. In some cases, the special services are provided by Government agencies without charge. In others, the fees are equal to a portion of the costs, and in a few instances the full cost of providing the service is recovered. The method of determining costs varies from agency to agency. In some cases, all or a portion of the revenues are earmarked for use by the agency, while in others all receipts are deposited as miscellaneous receipts in the general fund of the Treasury. In several areas, the exact amount of the charge is specified in legislation; in others, legislation provides for a charge but the exact amount is left for administrative determination; in a number, a charge is neither specifically called for nor prohibited by legislation, but is based on an administrative determination; and in some instances a charge is prohibited by law.

Illustrations of Varying Practices

Some examples illustrative of different agency charge practices are set forth below.

1. In the licensing activity, the charges range from zero to 100 percent of the costs. No charge, for example, is made for the issuance of Federal Communications Commission and Interstate Commerce Commission regulatory licenses. On the other hand, the regulatory operation concerned with the national banks by the Comptroller of Currency is self-sustaining, and the issuance of patents and the registration of trademarks by the Patent Office is approximately 45 percent self-sustaining. Within the Federal Power Commission, the licensing of utility company hydroelectric power facilities is nearly self-sustaining, while a comparable license in the natural gas field is provided free.

2. In the field of publications, some agencies refer requests for publications to the Superintendent of Documents, who sells them. Other agencies provide a similar type of publication free. In fact, the same publication may be for sale by the Superintendent of Documents and given away free by the sponsoring agency.

3. For maps and navigation charts, the sales price is generally determined by applying a modified proportional cost concept (full cost of printing and distribution, including plate preparation for all copies) in contrast to the incremental cost concept (cost of printing and distribution of only those additional copies to be sold), which is used as the basis for establishing the sale price of publications sold by the Superintendent of Documents. A much greater proportion of printed maps are sold than is the case for publications. Although the practices in the mapping agencies are generally uniform, there are some inconsistencies as, for example, in the case of the Corps of Engineers. One Corps district distributes its waterway bulletins and navigation charts free, while another district applies a nominal charge.

4. In the use of money and credit, the Export-Import Bank recovers costs. But this is one of the few cases of complete recovery,

since the rates charged by most lending agencies are considerably below costs because of statutory limitations or program considerations.

5. In testing and inspecting, the General Services Administration recovers costs for product qualification tests for procurement, while Defense pays a large share of the costs of similar tests. Within the Department of Health, Education, and Welfare, the Food and Drug Administration recovers the cost of testing batches of antibiotic drugs, while there is no charge for batch tests of vaccines tested by the Public Health Service, another bureau in the same Department. Due to various provisions of law, international agreements, and administrative regulations, the charge policy for inspections performed outside regular duty hours varies between inspecting agency (Treasury, Justice, HEW, Agriculture, and others), location, day of the week, and also the type of transportation inspected.

6. The Federal-aid highway program may be considered to be on a self-sustaining basis, while the Government recovers only a relatively small portion of the costs of providing airway and inland waterway navigation aids and facilities.

7. In the recreation area, the costs of conducting tours of dams are now recovered by the Bureau of Reclamation, but no charge is made by the Corps of Engineers.

Similar variations exist in the choice of methods used in determining charges for the use or sale of Government-owned resources or property. The charge may be based on competitive bidding in one agency for a resource or use of land while in another agency the charge for the same resource or use is determined by appraisal or is based on a fee schedule not necessarily related to market value. In some instances, the amount charged is specified by legislation enacted many years ago, and despite changes in values or conditions, the rate has remained the same.

8. There is a wide variation in charges between Federal agencies and private companies for grazing privileges on similar range land. For example, in the Klamath and Lake County area of Oregon within a radius of 100 miles, the fees per cow-month for range land, much of which is similar in value, vary as follows:

Bureau of Land Management (Interior)	$.15
Forest Service (Agriculture)	.44
Indian Service (Interior)	1.38
Weyerhauser Timber Company (private)	.99-1.08

In a 1953 study made by the Forest Service comparing the same type of privately-owned land with national forest land, the following extreme differences in charges for cattle were noted:

State	National forest	Average 1953 fee per cow-month on national forests	Average 1953 fee per cow-month for similar private land
Montana	Lewis and Clark	$.78	$5.00
Colorado	Uncompahgre	.65	6.50
Arizona	Apache	.42	2.50 to 5.00
Idaho	Boise	.50	4.80
Utah	Dixie	.67	5.00

9. With respect to oil and gas leasing, the situation adjacent to the San Juan River in southern Utah is representative of the variation in governmental charge policies. The Navajo reservation lies

to the south of the river and public domain on the north side. Several oil companies paid rentals of $1.00 per acre for the public domain for a 5-year lease, while at approximately the same time they paid $6.25 in rentals per acre for 5 years plus a bonus ranging from $1.27 to $129.00 per acre for leases within the reservation. The charge for a noncompetitive 5-year lease of public domain lands is one-third lower today than it was from 1935 to 1940. Likewise, the charge for oil and gas leases on lands that have been acquired by the Government is lower today than it was in 1947. The present charge is $1.00 per acre for a 5-year lease compared to the 1947 rate of $5.00 per acre for a similar period plus a bonus. In the case of acquired lands administered by the Forest Service, the average bonus amounted to over $19.00 per acre prior to 1947.

All leases involving Indian lands and the Outer Continental Shelf require competitive bidding. In contrast, on public domain and acquired lands, no competitive bidding is required when the lands are outside the boundary of a known geologic structure. These noncompetitive leases represent over 95 percent of the number of leases, acreage under lease, and workload.

10. In the case of mineral leasing, the Government receives a 25 cent per acre annual rental for prospecting permits for certain minerals, while permits for other minerals are granted on approximately 2 million acres with no charge.

11. Under the mining laws, title to the land is granted the claimant for $5.00 per acre, irrespective of timber or other nonmineral values, which may be worth several hundred dollars per acre. The $5.00 fee was established in 1872 and has remained the same since then.

Many of the special benefits provided by the Government service represent hidden subsidies which have developed over the years, and, in some cases, reflect efforts which were made to stimulate an "infant" industry or provide temporary aid to a specific segment of the population. As these benefits and subsidies continued, the recipients became accustomed to them, and now naturally oppose initiation of charges or any increases. Increases have not been made in many fees even though costs to the Government and values to the recipient have risen manyfold.

Progress to Date

Many inequities have been noted during the past several years, and the Administration has initiated corrective action in a number of areas, including the following:

1. New and substantially higher filing fee schedules have been established by the Bureau of Land Management for public land transactions. This has raised annual receipts from this source from $397,000 to over $842,000 in the past few years.

2. After request by the Department of State, the Congress repealed a fixed service charge, established in 1789, for authenticating copies of records, thus permitting the establishment of charges commensurate with current costs.

3. The Bureau of the Budget issued circulars on fees for licensing, registration and related activities (A-25) and for copying, certification, and search of records (A-28).

4. Separate laws were passed to assess a reasonable registration and renewal fee for brokers under the Commodity Exchange Act and to increase the fees for executing passport applications.

Legislation to increase patent fees was also proposed in the last Congress to raise the proportion of costs (as currently calculated) recovered by the Patent Office from 45 percent to 78 percent.

5. Fees have also been increased for a number of uses of Federal land, such as grazing on the public domain, the sale or lease of small tracts on the public domain, summer home sites on the national forests, entrance to various national parks and monuments.

Progress has thus been made, but it has been piecemeal and quite limited in scope. In some cases the Congress rescinded actions taken by the Executive Branch, or caused a deferral of administration plans to increase charges. The Congress, for example, passed legislation discontinuing the fees which were being charged for certificates in lieu of lost military discharges. In view of studies being conducted by Senate Committees, action was deferred on the charging of fees for licensing, registration, and related activities as proposed by the Bureau of the Budget. The study of fees for Government services which was completed by the Senate Committee on Government Operations on February 1, 1956, concluded that the congressional committee having oversight jurisdiction of the agency providing the special benefit should (1) ascertain the need for adjusting fees and (2) initiate appropriate legislative action required to implement the agency fee program.

Conclusions

The Interdepartmental Committee on User Charges believes that the problem should be examined from the viewpoint of the Government as a whole. While limited success might be obtained by continuing a piecemeal approach, greater strides can be made from a Governmentwide approach to assure equity and comparability in charges for related services and for the use or sale of Government-owned resources or properties. It is felt that this approach would enlist the support of groups concerned with the general overall objectives of equity, fairness to the general taxpayer, and fiscal soundness. It would provide the basis for eliminating arguments sometimes advanced by individual pressure groups that they have been singled out for discriminatory treatment. In addition, the Committee believes that the existence of a clear expression of administration and congressional policy would provide the necessary stimulus for an aggressive program.

The successful implementation of the Committee's recommendations will (a) provide greater equity in the provision of Government services, (b) reduce pressures for special services, (c) provide a yardstick to evaluate future legislation and program requirements, and (d) increase receipts by many millions of dollars annually.

Recommendations

The Committee recommends the development of an active approach to the solution of the user charge problem and recommends the adoption of the following policies and principles on a Governmentwide basis:

A. General Policy for Charges

1. Cost Recovery for Services. Where a service (or privilege) provides special benefits above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of rendering that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a Government-rendered service:

    a. Enables the beneficiary to obtain more immediate and substantial gains (sometimes measurable in monetary terms) than those which accrue to the general public (*e.g.*, granting a patent); and/or

b. Provides business stability or assures public confidence in the business activity of the beneficiary (e.g., certificates of necessity and convenience for airline routes); and/or

c. Is performed at the request of the recipient and is above and beyond the services provided to other members of the same industry or group, or to the general public (e.g., passports, visas, airman's certificates).

2. Sale or Use of Federally-Owned Resources or Property. The fair market value should be realized from the sale or use of Federally-owned resources or property. Sound business management principles and comparable commercial practices should be followed so far as practicable and feasible. Generally this activity should be revenue producing and should not be based on the recovery of costs alone.

B. Costs, Fees and Receipts and Their Determination

1. Agency Responsibility. The primary responsibility for the initiation and development of a program of charges and fees continues to be in the agency. The agency should:

   a. Determine the extent of the special benefits provided,

   b. Apply accepted governmental accounting principles in determining costs,

   c. Establish the charges, and

   d. In the case of the use or sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

2. Determination of Costs to be Recovered. The computation of the cost to the Federal Government of providing services shall be in accordance with accepted governmental accounting principles. Costs shall be determined or estimated from the best available existing records in the agency, and should not necessitate the establishment of new cost accounting systems. The cost computation shall include all direct and indirect costs of carrying out the activity, including but not limited to:

   a. Salaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipment and payroll burden costs (e.g., retirement and employee insurances);

   b. A proportionate share of the Cabinet department (or other agency) supervisory costs;

   c. A proportionate share of military pay and allowances, where applicable;

   d. The costs of enforcement, research, establishing standards, and regulation to the extent the agency head determines these costs are properly chargeable to the activity.

3. Establishment of Fees to Recover Costs. The maximum fee will be governed by the total costs involved and not by the value of the service to the beneficiary. The rate of fee established should not seriously impair the objectives of the program or other public policy. The cost of providing the service shall be reviewed at least once every three years and the fees adjusted accordingly.

   The agency may make exceptions to recovery of full costs under the illustrative conditions stated below:

   a. The cost of collecting the fees would be an unduly large part of the receipts from the activity.

   b. The furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization.

   c. Comparable fees are set on a reciprocal basis with a foreign country. (In line with the policy of requesting legislative changes for the removal of legal limitations, the Department of State should endeavor to renegotiate those international agreements which prohibit the establishment of a fair and equitable user charge for special benefits provided by the Federal Government.)

   d. The special beneficiary is engaged in a nonprofit activity designed for the public safety, health, or welfare.

   e. Payment of the full fee by a State, local government, or nonprofit group would not be in the interest of the program.

   The application of such exceptions would be subject to the review, when necessary, of the advisory committee on fees and charges (see Recommendations for Implementation of Policy).

4. Disposition of Receipts. All receipts shall go to the general fund of the Treasury as miscellaneous receipts except:

   a. Where it is intended that an agency or program or some part of a program be operated on a fully self-sustaining basis from receipts for services performed or proceeds from the sale or use of Government-owned resources or property.

   b. Where the agency head can demonstrate that earmarking of receipts is necessary to encourage the initiation or increase of fees or charges.

   c. Where the receipts are used to offset the cost of authorized special services or programs for which the demand is irregular and unpredictable, such as inspections performed upon request outside of regular duty hours.

   The present system of sharing receipts with States and counties for the use of land and sale of resources should be left undisturbed.

C. Recommendations for Implementation of Policy

To implement an equitable and uniform user charge program in line with the general policies, the Committee recommends that:

1. The Bureau of the Budget request the executive agencies to prepare legislative proposals removing all present limitations on restrictions on the agencies' authority to (a) recover full costs for Government services which provide a special benefit;

and (b) obtain a fair market value for Government-owned resources or properties sold or leased. These proposals should incorporate a recommended expression of congressional policy on charges and fees, and authorize the President to initiate such rules, regulations, and advisory groups as he deems necessary to implement an aggressive and continuing user charge program throughout the Government. These proposals would be transmitted to the Congress simultaneously, accompanied by a strong Presidential message.

The agency proposals should also include areas where legislation is now silent on the initiation of user charges and where the agency considers an expression of congressional policy desirable prior to initiating charges. The Presidential message would highlight the need for shifting all or a greater portion of the cost of these special services from the general taxpayer to the special beneficiary, as well as the need for applying sound business practices to the management of Government-owned resources and property.

2. This program of user charges should be carried through within the existing governmental framework in both the agencies and the Bureau of the Budget. The Bureau of the Budget would continue to exercise its coordinating role.

3. The President should designate an advisory committee of five qualified persons, familiar with Government operations, to advise the President and the agencies and to provide guidance to the Bureau of the Budget on the public policy considerations involved in applying user charges. The advisory committee would concern itself principally with determinations of the extent of public interest or special interest on those issues referred to it by the agencies or by the Bureau of the Budget. This committee could be a means of dramatizing and publicizing problem areas. The Bureau of the Budget would furnish the secretariat for this committee.

4. Increased efforts to carry out the recommended policies should be effected in those areas where legislative authority already exists for initiating or increasing charges, concurrent with the efforts to obtain legislation for the removal of restrictions in other areas.

Concurrences

The Interdepartmental Committee on User Charges (Budget, Treasury, Interior, Agriculture, Commerce).

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CP - 59-49/4

March 5, 1959

The White House

Washington

THE CABINET

Revised Recommendations Concerning Charges for Certain Government Services

For consideration by the Cabinet, attached is a paper on the above subject, prepared by the Director of the Bureau of the Budget. The paper is a supplement to CP - 57-49/3, which was considered by the Cabinet and approved on May 3, 1957.

The recommendations presented here would modify recommendation A-1 and would supersede recommendations C-1 and C-3 of approved Cabinet Paper 57-49/3.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP - 59-49/4

March 5, 1959

The White House

Washington

THE CABINET

Revised Recommendations Concerning Charges for Certain Government Services

BRIEF

Problem: Should the Administration continue to recommend broad legislative authority that would remove all present restrictions to user charges and fees, or should emphasis be placed on proposing specific legislation for individual agency programs?

Discussion: At the May 3, 1957 Cabinet Meeting the President approved (RA - 57-73, Item 5) the Report of the Interdepartmental Committee on User Charges, including the following implementing recommendations:

1. That the executive agencies submit legislative proposals that would remove all present limitations or restrictions on agency authority to assess fees and charges;

2. That such legislative proposals incorporate a recommended expression of Congressional policy on fees and charges;

3. That there be submitted legislation which would authorize the President to designate an advisory committee to provide guidance on public policy considerations involved in applying user charges.

The Administration policy on user charges is basically sound. It would make a reasonable charge, generally equal to cost to an identifiable user for a measurable unit or amount of government service or property from which he derives a special benefit.

It is the further implementation of that policy beyond present practices that presents difficulties. While substantial progress has been made to date despite many formidable obstacles, it is apparent that to make additional progress, a change in approach is necessary.

Agency responses to the recommendations leads the Bureau of the Budget to the conclusion that the Administration's policy objectives could be more successfully achieved by proposing to Congress needed changes for specific programs and by keeping new programs in line with the approved policy rather than requesting broad legislative authority to assess fees and charges.

The granting of broad authority would have virtually no chance of Congressional approval. The delegation of such authority is contrary to the recommendations of the Senate Government Operations Committee made in 1950 and reiterated in 1956, that changes in law establishing fees and charges should be evaluated by the appropriate jurisdictional committees and, if necessary, remedial legislation should be recommended to the Congress by such committees.

In view of the Congressional reluctance to delegate discretionary authority, the anticipated scope of activity contemplated by the Interdepartmental Committee is considerably narrowed and legislation authorizing an overall advisory committee appears impractical and unnecessary. Alternatively, one or more committees may effectively be appointed by the Administration from time to time to deal with specific areas of user charges.

Many opportunities for imposing or increasing user charges still exist but their significance should not be overestimated. Outside of postal rates, highway and airways charges, and possibly inland waterway tolls, the opportunities for charges other than already being made would not provide an imposing sum of money. Many of such potential opportunities are highly debatable, or are restricted because of program objectives or public policy. Some guidance is needed to clarify the application of the general definition to specific borderline cases. While this will reduce the number of potentials, those remaining can more easily be dealt with by specific individual action, either legislatively or administratively.

Recommendations:

A. That the scope of the user charges project be defined to exclude charges for services when the identification of the ultimate beneficiary is obscure and the service can be considered as applying to the general public, e.g., meat and poultry inspection; coal mine inspection; and testing and licensing of new drug applications and biological products.

B. That in order to provide agencies with more workable guidelines for implementing an effective user charge program, action on the approved recommendations of the Interdepartmental Committee on User Charges be modified as follows:

1. That agencies submit specific legislative proposals which they consider necessary or desirable and which they are willing to support in Congress;

2. That the requirement of incorporating a recommended expression of general Congressional policy on charges and fees in legislative proposals be removed; and

3. That the adopted recommendation requiring authorizing legislation for the designation of an advisory committee be rescinded.

C. That upon recommendation of the Bureau of the Budget the President appoint or authorize the appointment of advisory committees to deal with specific areas of user charges.

D. That the respective agencies, with the Bureau of the Budget, continue through the regular budgetary and legislative review processes to review all potential areas for applying user charges and to initiate or revise such charges in accordance with the Administration policy.

Implementation:

That each Cabinet agency prepare legislative proposals in accordance with the above recommendations. The Bureau of the Budget will request non-Cabinet agencies involved to prepare legislation also in accordance with these recommendations.

Concurrences:

1. Special Assistant to the President (Mr. Meyer Kestnbaum).

2. Former members of the Interdepartmental Committee on User Charges (Budget, Agriculture, Commerce, Interior and Treasury).

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The Administration policy on user charges is basically sound. It would make a reasonable charge, generally equal to cost, to an identifiable user for a measurable unit or amount of government service or property from which he derives a special benefit.

It is the further application of that policy beyond present practices that presents many difficulties. Despite formidable obstacles, progress to date has been considerable. A recent survey by the Bureau of the Budget of user charge activities covering 662 items, for which there is now no legal prohibition on fees and charges, showed that the entire cost of each activity is recovered in 58 percent of these cases; in 15 percent of the cases, less than full cost is recovered; and in 27 percent, there is no fee.

The revenue from such charges for fiscal year 1958 which was deposited in the miscellaneous receipts of the Treasury total $412 million. Substantially all of this yield has been from sources where clear-cut eligibility or definition under Administration policy was possible.

Sources of user-type fees and charges were:

		(Millions)
Sale of Products (Timber, Minerals, other natural resources, etc.)		$ 145.3
Rent and Royalties		172.8 a/
Fees for Permits and Licenses:		
Admission fees	$ 5.0	
Business concessions	7.3	
Immigration, passport & consular fees	17.4	
Patents and trademarks	7.9	
Registration and filing fees	3.8	
Other	11.4	52.8
Miscellaneous Fees and Charges:		
Accounting & legal services	3.9	
Communication & transportation services	6.8	
Quarters, subsistence & health services	7.3	
Testing, inspection, grading	4.7	
Administrative & professional services.	4.1	
Other	14.3	41.1
	Total:	412.0

a/ Excludes rents from Outer Continental Shelf held in escrow.

NOTE: Excludes receipts from (1) sale of electric power, (2) sale of surplus, scrap, and waste, (3) sale of land, buildings and equipment, (4) trust funds, (5) reimbursements to appropriations, (6) revolving funds of Government enterprises, (7) recoveries, refunds, and collections of principal on loans, and (8) postal services.

The following table indicates the sizeable increase in user charge income realized from these sources. It also projects the agencies' estimate of income from these activities in fiscal year 1960.

Fiscal Year	Sale of Products	Rents and Royalties	Permit and License Fees	Miscellaneous Fees & Charges	Total
		(Millions)			
1950	$ 45.1	$ 78.4	$ 31.0	$ 50.1	$194.6
1952	100.6	103.8	34.8	48.1	287.3
1954	108.6	141.5	45.0	29.8	324.9
1956	170.3	150.6	48.9	35.6	405.4
1958	145.3	172.8	52.8	41.1	412.0
1960	185.9	223.7	64.1	38.4	512.1

The Departments of Agriculture, Defense and the Interior account for most of these miscellaneous receipts.

The Department of Agriculture receipts are derived mainly from the use and sale of forest resources.

More than half of the Department of Defense revenues are obtained from the rental of equipment and facilities.

The Department of the Interior receipts stem largely from the sale or lease of natural resources on government-owned lands.

* * * * *

The Administration recommended a number of legislative proposals to the 85th Congress involving the user charge principle. Only a few of these bills were favorably acted upon. Other than the partial passage of the postal rate increase requested, these enactments were of minor importance as potential sources of revenue, as indicated below:

	Potential Revenue (Millions)
Department of Agriculture	
Reimbursement for overtime inspection services........	$ .5
Charge for appeal inspection under Grain Standards Act..	.01
Charge for supervision of reprocessing imported seed...	.01
Reimbursement for certain administrative costs of insured loans under FHA........................	1.0
Department of Health, Education, and Welfare	
Reimbursement for overtime foreign quarantine inspection services..............................	.25
Department of Labor	
Reimbursement to the Government of all administrative expenses concerned with the Mexican farm labor program..	1.5
Interstate Commerce Commission	
Administrative costs of loans guaranteed under the Transportation Act of 1958..........................	1.2

The 1960 Budget recommended enactment of the following proposals, some of which failed to get approved in the last Congress:

	Estimate Annual Saving	
	In 1960	Full Ann. effect
	(Millions)	
Support highway expenditures by highway related taxes:		
Finance deficiency estimated under present law....	$ 241.0	818.0
Transfer financing of forest and public lands highways to trust fund........................	41.0	41.0
Charge specifically for use of Federal airways:		
Transfer aviation fuel taxes from highway trust fund to general fund....................	34.0	34.0
Increase taxes on aviation fuels.................	51.0	70.0
Revise fee schedule for noncompetitive oil and gas leases.................................	-	14.0
Cover administrative costs of Federal Crop Insurance Corporation..........................	-	6.4
Raise patent and trademark fees......................	3.5	3.5
Recover certain costs of the Federal Power Commission	3.2	4.3
Increase fees for administrative expenses of the Securities Exchange Commission..............	2.0	2.2
Increase fees for agricultural licensing, inspecting, registrations, etc.........................	2.0	2.2
Remove various fee restrictions for Coast Guard and Customs services.........................	1.8	2.0
Recover costs of certain immigration and naturalization services........................	0.9	1.4
Recover cost of Longshoreman's compensation administration.............................	0.5	0.9
Charge for all overtime inspections at borders.........	0.4	0.5
Recover cost of emergency Coast Guard supplies to vessels..................................	0.4	0.5
Recover costs for certain free consular services.......	0.3	0.4
Totals:	382.0	1,001.3

In addition, legislative proposals from the Department of Defense, Department of the Interior, Civil Aeronautics Board and the Federal Communications Commission have been made pursuant to the Interdepartmental Committee's recommendations, but are not included in this list. These proposals request the granting of broad discretionary authority to impose fees and charges. Past experience, however, leads to the conclusion that these proposals would have little chance of receiving Congressional approval. Granting of such authority is contrary to the recommendations twice made by the Senate Government Operations Committee that the committees of the Congress having oversight jurisdiction should (1) ascertain the need for adjustment in existing schedules of fees; and (2) initiate appropriate legislative action.

In this connection, during the last Congress the Department of Justice requested legislation authorizing the Attorney General to prescribe fees and charges for United States marshals. The Senate Judiciary Committee, after determining the need for such adjustments, recommended to the Senate a substitute bill setting forth specific fees and charges for the various services performed. While the bill was not acted on by the House, the Senate action is indicative of the attitude of many of the legislative committees toward delegating authority. For example, both the House and Senate Interstate and Foreign Commerce Committees have stated on various occasions concerning user charge legislation, that Congress should pass on the need for and the amount of fees and charges.

* * * * *

There are many other potential areas, however, where agencies are not imposing fees and charges at this time for reasons of public interest, program objective or substantial opposition in and out of government. The following are illustrations:

Free Special Government Services Where There are No Legal Prohibitions on Agencies' Authority to Charge

Agency	Example	Maximum possible revenue (Millions)
Agriculture	Publications (Yearbook, etc.)..........	$ .7
Commerce	Export licenses......................	3.1
Defense	Rent for furniture (Military quarters)...	7.5
	Tours: Naval Observatory, ships, harbors, etc..............................	.1
HEW	Test and license biologicals............	2.2
	Inspect food facilities (Interstate carriers)	.2
Interior	Public visits (8,600,000 annually) to refuges, hatcheries, aquaria.........	1.3
	Stocking fish in private ponds...........	.8
Justice	Conducted FBI tours (250,000 visits annually).........................	.1
State	Notarial services.....................	.2
	Registration-quota waiting lists........	.2
Treasury	Coast Guard permits for small vessels..	.3
	Tours: Bureau of Engraving, White House	.2
	Savings Bond searches and duplicates....	.2
Atomic Energy Commission	Security clearances for nongovernment personnel..........................	.3
	Licenses to use special materials, etc.	.3
Federal Aviation Agency	Airman certification..................	3.1
	Aircraft inspections, etc..............	.7
Tennessee Valley Authority	Recreational use of lakes and land......	.2
	Total:	21.7

It is doubtful that literal application of Administration policy can be made in many of these, for example:

Publications

The Department of Agriculture is the single largest distributor of publications, and a major portion of its free distribution is through Members of Congress. For example, approximately 93 percent of the 294,000 copies of the Agriculture Yearbook are furnished to and distributed free by the Congress.

Export licenses

The issuance of export licenses is not considered by the Department of Commerce as a special privilege. The Department contends that these licenses are primarily for the purpose of establishing export priorities and do not constitute a special service to the licensees.

Tours

Tours provided by agencies are viewed as a medium for informing the public of governmental activities such as the FBI and Bureau of Engraving tours, and charges are considered in conflict with broad public interest. Potential revenue from tours is small. For example, some 850,000 people visited the White House last year. This required the part-time services of four guards. On a cost recovery basis the fee required would amount to about 2¢ per visitor.

Testing and licensing

Testing and licensing of biologics is considered by the Department of Health, Education, and Welfare as not a measurable service to an identifiable group, but is performed for the protection of the interests of the entire nation.

* * * * *

While certain other areas appear to provide a potential for additional revenue, the rationalization against imposing or increasing charges also has some validity. Examples of areas involved and potential revenue are:

Agency		Potential revenue (Millions)
Agriculture	Meat inspection........................	$ 17.1
	Poultry inspection.....................	6.5
Commerce	Patents, full cost recovery (addition to present bill)..............	8.8
Defense	Rescind law on free duplicate discharge certificates................	.3
Interior	Coal mine inspection...................	3.8
Regulatory Commissions	Administrative costs of the issuance of licenses, certificates of convenience and necessity, etc..................	43.3
Several	Make grazing fees uniform.............	6.0
	Totals:	85.8

Arguments Advanced by Agencies Against Above Possibilities

Meat and Poultry Inspection

The Department of Agriculture believes that the inspection is for the protection of the consumers and therefore should be without charge. Congressional policy sanctions present free meat inspection practice. Legislation was enacted in last Congress also requiring compulsory non-fee poultry inspection.

Patent Fees

Members of the patent bar have successfully opposed an increase in fees in the last three Congresses. The Department of Commerce position is that the legislation proposed to the 85th Congress, while only "a half a loaf", is the best that can be hoped for at this time.

Duplicate Veterans' Discharge Certificate

The Department of Defense instituted a system of fees for copying and certifying records. As a result of many complaints from veterans, the 84th Congress, after acrimonious hearings, enacted legislation prohibiting the imposition of fees for veterans' duplicate discharge certificates.

The Department believes there is no possibility of getting this legislation rescinded, and any proposal to do so would only raise a hornet's nest.

Coal Mine Inspection

The Department of the Interior believes that coal mine inspection is for the safety of the miners and should be free of charge as a matter of public interest. Moreover, efforts are being made to have this inspection turned over to the States.

Licensing, Certificates of Convenience and Necessity, etc.

Substantial opposition to additional charges by some regulatory commissions is based upon the premise that a regulated industry ought not to be charged the price of being regulated. They take the position that a license issued is the device by which control is possible, rather than in the nature of a special service to a licensee. For instance, the Civil Aeronautics Board and the Federal Communications Commission contend that the issuance of a license or certificate of convenience and necessity is a means of protecting the public and therefore the cost should be borne by the general public.

The actions of the Senate Committee on Interstate and Foreign Commerce appear to follow the same doctrine.

Grazing

Agencies primarily involved are the Departments of Agriculture and the Interior. Both believe that the opposition in Congress to increasing grazing fees is so strong that the results would be disproportionate to the effect. Agriculture feels that any study looking to an increase in grazing fees should be only a part of an overall public lands surface-resource management survey.

* * *** *

Conclusions:

1. Spectacular results beyond those in process or already accomplished are not now likely. Some further progress is possible on items involving day-to-day administrative operations. Over a period of time a number of effective legislative actions can also be taken on needed changes for specific programs.

2. Omnibus legislation that would remove all restrictions on charges and fees and grant broad authority to agency heads to determine reasonable charges has virtually no chance for Congressional approval.

3. Further guidance is needed to clarify the application of the general policy to specific borderline cases. While this will considerably narrow the scope of activities, those remaining can be more appropriately dealt with by specific individual action.

4. In view of the achievements to date, and the considerably narrowed scope of activity anticipated, legislation authorizing an overall advisory committee appears unnecessary. Alternatively, any future need for advisory committees to deal with specific problems can be accomplished administratively.

5. Except for the implementing proposals, the policy recommendations of the Interdepartmental Committee on User Charges are sound and should continue to be applied by each agency in considering charges for the services it renders. These policy recommendations have to do with (1) recovering cost of services, (2) obtaining fair market value for sale or use of property, (3) making each agency responsible for initiating and developing a charge program for the activities it provides, (4) developing methods of determining specific costs and fees, and (5) disposing of the receipts.

Recommendations:

A. That the scope of the user charges project be defined to exclude charges for services when the identification of the ultimate beneficiary is obscure and the service can be considered as applying to the general public, e.g., meat and poultry inspection; coal mine inspection; and testing and licensing of new drug applications and biological products.

B. That in order to provide agencies with more workable guidelines for implementing an effective user charge program, action on the approved recommendations of the Interdepartmental Committee on User Charges be modified as follows:

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C. That upon recommendation of the Bureau of the Budget the President appoint or authorize the appointment of advisory committees to deal with specific areas of user charges.

D. That the respective agencies, with the Bureau of the Budget, continue through the regular budgetary and legislative review processes to review all potential areas for applying user charges and to initiate or revise such charges in accordance with the Administration policy.

Implementation:

That each Cabinet agency prepare legislative proposals in accordance with the above recommendations. The Bureau of the Budget will request non-Cabinet agencies involved to prepare legislation also in accordance with these recommendations.

Concurrences:

1. Special Assistant to the President
(Mr. Meyer Kestnbaum)

2. Former members of the Interdepartmental Committee on User Charges (Budget, Agriculture, Commerce, Interior and Treasury).

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CP - 59-49/4

March 19, 1959

The White House

Washington

THE CABINET

Revised Recommendations Concerning Charges for Certain Government Services

The attached approved paper is circulated for action by the members of the Cabinet and for the preparation of further implementing papers by the Director of the Bureau of the Budget.

This paper was approved at the Cabinet meeting of March 13, 1959 (RA - 59-129, Item 1).

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

March 19, 1959

The White House

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THE CABINET

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Revised Recommendations Concerning Charges for Certain Government Services

Problem: Should the Administration continue to recommend broad legislative authority that would remove all present restrictions to user charges and fees, or should emphasis be placed on proposing specific legislation for individual agency programs?

Discussion: At the May 3, 1957 Cabinet Meeting, the President approved the Report of the Interdepartmental Committee on User Charges including the following implementing recommendations:

1. That the executive agencies submit legislative proposals that would remove all present limitations or restrictions on agency authority to assess fees and charges;

2. That such legislative proposals incorporate a recommended expression of Congressional policy on fees and charges;

3. That there be submitted legislation which would authorize the President to designate an advisory committee to provide guidance on public policy considerations involved in applying user charges.

The Administration policy on user charges is basically sound. It would make a reasonable charge, generally equal to cost, to an identifiable user for a measurable unit or amount of government service or property from which he derives a special benefit.

It is the further application of that policy beyond present practices that presents many difficulties. Despite formidable obstacles, progress to date has been considerable. A recent survey by the Bureau of the Budget of user charge activities covering 662 items, for which there is now no legal prohibition on fees and charges, showed that the entire cost of each activity is recovered in 58 percent of these cases; in 15 percent of the cases, less than full cost is recovered; and in 27 percent, there is no fee.

The revenue from such charges for fiscal year 1958 which was deposited in the miscellaneous receipts of the Treasury total $412 million. Substantially all of this yield has been from sources where clear-cut eligibility or definition under Administration policy was possible.

CABINET PAPER
For Action

Sources of user-type fees and charges were:

		(Millions)
Sale of Products (Timber, Minerals, other natural resources, etc.)		$ 145.3
Rent and Royalties		172.8 a/
Fees for Permits and Licenses:		
Admission fees	$ 5.0	
Business concessions	7.3	
Immigration, passport & consular fees	17.4	
Patents and trademarks	7.9	
Registration and filing fees	3.8	
Other	11.4	52.8
Miscellaneous Fees and Charges:		
Accounting & legal services	3.9	
Communication & transportation services	6.8	
Quarters, subsistence & health services	7.3	
Testing, inspection, grading	4.7	
Administrative & professional services	4.1	
Other	14.3	41.1
	Total:	412.0

a/ Excludes rents from Outer Continental Shelf held in escrow.

NOTE: Excludes receipts from (1) sale of electric power, (2) sale of surplus, scrap, and waste, (3) sale of land, buildings and equipment, (4) trust funds, (5) reimbursements to appropriations, (6) revolving funds of Government enterprises, (7) recoveries, refunds, and collections of principal on loans, and (8) postal services.

The following table indicates the sizeable increase in user charge income realized from these sources. It also projects the agencies' estimate of income from these activities in fiscal year 1960.

Fiscal Year	Sale of Products	Rents and Royalties	Permit and License Fees	Miscellaneous Fees & Charges	Total
			(Millions)		
1950	$ 45.1	$ 78.4	$ 31.0	$ 50.1	$194.6
1952	100.6	103.8	34.8	48.1	287.3
1954	108.6	141.5	45.0	29.8	324.9
1956	170.3	150.6	48.9	35.6	405.4
1958	145.3	172.8	52.8	41.1	412.0
1960	185.9	223.7	64.1	38.4	512.1

The Departments of Agriculture, Defense and the Interior account for most of these miscellaneous receipts.

The Department of Agriculture receipts are derived mainly from the use and sale of forest resources.

More than half of the Department of Defense revenues are obtained from the rental of equipment and facilities.

The Department of the Interior receipts stem largely from the sale or lease of natural resources on government-owned lands.

* * * * *

The Administration recommended a number of legislative proposals to the 85th Congress involving the user charge principle. Only a few of these bills were favorably acted upon. Other than the partial passage of the postal rate increase requested, these enactments were of minor importance as potential sources of revenue, as indicated below:

	Potential Revenue (Millions)
Department of Agriculture	
Reimbursement for overtime inspection services........	$ .5
Charge for appeal inspection under Grain Standards Act..	.01
Charge for supervision of reprocessing imported seed...	.01
Reimbursement for certain administrative costs of insured loans under FHA......................	1.0
Department of Health, Education, and Welfare	
Reimbursement for overtime foreign quarantine inspection services................................	.25
Department of Labor	
Reimbursement to the Government of all administrative expenses concerned with the Mexican farm labor program......................................	1.5
Interstate Commerce Commission	
Administrative costs of loans guaranteed under the Transportation Act of 1958.........................	1.2

The 1960 Budget recommended enactment of the following proposals, some of which failed to get approved in the last Congress:

	Estimate Annual Saving	
	In 1960	Full Ann. effect
	(Millions)	
Support highway expenditures by highway related taxes:		
Finance deficiency estimated under present law....	$ 241.0	818.0
Transfer financing of forest and public lands highways to trust fund.........................	41.0	41.0
Charge specifically for use of Federal airways:		
Transfer aviation fuel taxes from highway trust fund to general fund.....................	34.0	34.0
Increase taxes on aviation fuels.................	51.0	70.0
Revise fee schedule for noncompetitive oil and gas leases..............................	-	14.0
Cover administrative costs of Federal Crop Insurance Corporation.......................	-	6.4
Raise patent and trademark fees.....................	3.5	3.5
Recover certain costs of the Federal Power Commission	3.2	4.3
Increase fees for administrative expenses of the Securities Exchange Commission..............	2.0	2.2
Increase fees for agricultural licensing, inspecting, registrations, etc...........................	2.0	2.2
Remove various fee restrictions for Coast Guard and Customs services.........................	1.8	2.0
Recover costs of certain immigration and naturalization services........................	0.9	1.4
Recover cost of Longshoreman's compensation administration............................	0.5	0.9
Charge for all overtime inspections at borders.........	0.4	0.5
Recover cost of emergency Coast Guard supplies to vessels................................	0.4	0.5
Recover costs for certain free consular services.......	0.3	0.4
Totals:	382.0	1,001.3

In addition, legislative proposals from the Department of Defense, Department of the Interior, Civil Aeronautics Board and the Federal Communications Commission have been made pursuant to the Interdepartmental Committee's recommendations, but are not included in this list. These proposals request the granting of broad discretionary authority to impose fees and charges. Past experience, however, leads to the conclusion that these proposals would have little chance of receiving Congressional approval. Granting of such authority is contrary to the recommendations twice made by the Senate Government Operations Committee that the committees of the Congress having oversight jurisdiction should (1) ascertain the need for adjustment in existing schedules of fees; and (2) initiate appropriate legislative action.

In this connection, during the last Congress the Department of Justice requested legislation authorizing the Attorney General to prescribe fees and charges for United States marshals. The Senate Judiciary Committee, after determining the need for such adjustments, recommended to the Senate a substitute bill setting forth specific fees and charges for the various services performed. While the bill was not acted on by the House, the Senate action is indicative of the attitude of many of the legislative committees toward delegating authority. For example, both the House and Senate Interstate and Foreign Commerce Committees have stated on various occasions concerning user charge legislation, that Congress should pass on the need for and the amount of fees and charges.

* * * * *

There are many other potential areas, however, where agencies are not imposing fees and charges at this time for reasons of public interest, program objective or substantial opposition in and out of government. The following are illustrations:

Free Special Government Services Where There are No Legal Prohibitions on Agencies' Authority to Charge

Agency	Example	Maximum possible revenue (Millions)
Agriculture	Publications (Yearbook, etc.)..........	$ .7
Commerce	Export licenses.......................	3.1
Defense	Rent for furniture (Military quarters)...	7.5
	Tours: Naval Observatory, ships, harbors, etc...............................	.1
HEW	Test and license biologicals............	2.2
	Inspect food facilities (Interstate carriers)	.2
Interior	Public visits (8,600,000 annually) to refuges, hatcheries, aquaria.........	1.3
	Stocking fish in private ponds...........	.8
Justice	Conducted FBI tours (250,000 visits annually)............................	.1
State	Notarial services.....................	.2
	Registration-quota waiting lists........	.2
Treasury	Coast Guard permits for small vessels..	.3
	Tours: Bureau of Engraving, White House	.2
	Savings Bond searches and duplicates....	.2
Atomic Energy Commission	Security clearances for nongovernment personnel.........................	.3
	Licenses to use special materials, etc.	.3
Federal Aviation Agency	Airman certification..................	3.1
	Aircraft inspections, etc...............	.7
Tennessee Valley Authority	Recreational use of lakes and land......	.2
	Total:	21.7

It is doubtful that literal application of Administration policy can be made in many of these, for example:

Publications

The Department of Agriculture is the single largest distributor of publications, and a major portion of its free distribution is through Members of Congress. For example, approximately 93 percent of the 294,000 copies of the Agriculture Yearbook are furnished to and distributed free by the Congress.

Export licenses

The issuance of export licenses is not considered by the Department of Commerce as a special privilege. The Department contends that these licenses are primarily for the purpose of establishing export priorities and do not constitute a special service to the licensees.

Tours

Tours provided by agencies are viewed as a medium for informing the public of governmental activities such as the FBI and Bureau of Engraving tours, and charges are considered in conflict with broad public interest. Potential revenue from tours is small. For example, some 850,000 people visited the White House last year. This required the part-time services of four guards. On a cost recovery basis the fee required would amount to about 2¢ per visitor.

Testing and licensing

Testing and licensing of biologics is considered by the Department of Health, Education, and Welfare as not a measurable service to an identifiable group, but is performed for the protection of the interests of the entire nation.

* * * * *

While certain other areas appear to provide a potential for additional revenue, the rationalization against imposing or increasing charges also has some validity. Examples of areas involved and potential revenue are:

Agency		Potential revenue (Millions)
Agriculture	Meat inspection	$ 17.1
	Poultry inspection	6.5
Commerce	Patents, full cost recovery (addition to present bill)	8.8
Defense	Rescind law on free duplicate discharge certificates	.3
Interior	Coal mine inspection	3.8
Regulatory Commissions	Administrative costs of the issuance of licenses, certificates of convenience and necessity, etc.	43.3
Several	Make grazing fees uniform	6.0
	Totals:	85.8

Arguments Advanced by Agencies Against Above Possibilities

Meat and Poultry Inspection

The Department of Agriculture believes that the inspection is for the protection of the consumers and therefore should be without charge. Congressional policy sanctions present free meat inspection practice. Legislation was enacted in last Congress also requiring compulsory non-fee poultry inspection.

Patent Fees

Members of the patent bar have successfully opposed an increase in fees in the last three Congresses. The Department of Commerce position is that the legislation proposed to the 85th Congress, while only "a half a loaf", is the best that can be hoped for at this time.

Duplicate Veterans' Discharge Certificate

The Department of Defense instituted a system of fees for copying and certifying records. As a result of many complaints from veterans, the 84th Congress, after acrimonious hearings, enacted legislation prohibiting the imposition of fees for veterans' duplicate discharge certificates.

The Department believes there is no possibility of getting this legislation rescinded, and any proposal to do so would only raise a hornet's nest.

Coal Mine Inspection

The Department of the Interior believes that coal mine inspection is for the safety of the miners and should be free of charge as a matter of public interest. Moreover, efforts are being made to have this inspection turned over to the States.

Licensing, Certificates of Convenience and Necessity, etc.

Substantial opposition to additional charges by some regulatory commissions is based upon the premise that a regulated industry ought not to be charged the price of being regulated. They take the position that a license issued is the device by which control is possible, rather than in the nature of a special service to a licensee. For instance, the Civil Aeronautics Board and the Federal Communications Commission contend that the issuance of a license or certificate of convenience and necessity is a means of protecting the public and therefore the cost should be borne by the general public.

The actions of the Senate Committee on Interstate and Foreign Commerce appear to follow the same doctrine.

Grazing

Agencies primarily involved are the Departments of Agriculture and the Interior. Both believe that the opposition in Congress to increasing grazing fees is so strong that the results would be disproportionate to the effort. Agriculture feels that any study looking to an increase in grazing fees should be only a part of an overall public lands surface-resource management survey.

* * *** *

Conclusions:

1. Spectacular results beyond those in process or already accomplished are not now likely. Some further progress is possible on items involving day-to-day administrative operations. Over a period of time a number of effective legislative actions can also be taken on needed changes for specific programs.

2. Omnibus legislation that would remove all restrictions on charges and fees and grant broad authority to agency heads to determine reasonable charges has virtually no chance for Congressional approval.

3. Further guidance is needed to clarify the application of the general policy to specific borderline cases. While this will considerably narrow the scope of activities, those remaining can be more appropriately dealt with by specific individual action.

4. In view of the achievements to date, and the considerably narrowed scope of activity anticipated, legislation authorizing an overall advisory committee appears unnecessary. Alternatively, any future need for advisory committees to deal with specific problems can be accomplished administratively.

5. Except for the implementing proposals, the policy recommendations of the Interdepartmental Committee on User Charges are sound and should continue to be applied by each agency in considering charges for the services it renders. These policy recommendations have to do with (1) recovering cost of services, (2) obtaining fair market value for sale or use of property, (3) making each agency responsible for initiating and developing a charge program for the activities it provides, (4) developing methods of determining specific costs and fees, and (5) disposing of the receipts.

Recommendations:

A. That the scope of the user charges project be defined to exclude charges for services when the identification of the ultimate beneficiary is obscure and the service can be considered as applying to the general public, e.g., meat and poultry inspection; coal mine inspection; and testing and licensing of new drug applications and biological products.

B. That in order to provide agencies with more workable guidelines for implementing an effective user charge program, action on the approved recommendations of the Interdepartmental Committee on User Charges be modified as follows:

1. That agencies submit specific legislative proposals which they consider necessary or desirable and which they are willing to support in Congress;

2. That the requirement of incorporating a recommended expression of general Congressional policy on charges and fees in legislative proposals be removed; and

3. That the adopted recommendation requiring authorizing legislation for the designation of an advisory committee be rescinded.

C. That upon recommendation of the Bureau of the Budget the President appoint or authorize the appointment of advisory committees to deal with specific areas of user charges.

D. That the respective agencies, with the Bureau of the Budget, continue through the regular budgetary and legislative review processes to review all potential areas for applying user charges and to initiate or revise such charges in accordance with the Administration policy.

Implementation:

That each Cabinet agency prepare legislative proposals in accordance with the above recommendations. The Bureau of the Budget will request non-Cabinet agencies involved to prepare legislation also in accordance with these recommendations.

Concurrences:

1. Special Assistant to the President
   (Mr. Meyer Kestnbaum)

2. Former members of the Interdepartmental Committee on User Charges (Budget, Agriculture, Commerce, Interior and Treasury).

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t Record of Action RA-59-130	4/30/59	A
Agenda CA-59-130	4/23/59	A
andum , Robert Gray to DDE	4/23/59	A
Paper for Consideration CP-59-94 re emergency agencies	3/18/59	A
~~iscussion of emergency matters in Cabinet~~	~~4/24/59~~ 11/22/78, bc	~~A~~
Paper for Action CP-59-94/1	4/30/59	A

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MINUTES OF CABINET MEETING

April 24, 1959

9:00 a.m. -- 11:10 a.m.

The following were present:

President Eisenhower

Vice President Nixon

Sec. Herter
Sec. Anderson
Sec. McElroy
Deputy AG Lawrence E. Walsh
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Mitchell
Sec. Strauss
Sec. Flemming

Amb. Lodge
Gov. Hoegh
Mr. Stans, BoB
Dr. Saulnier, CEA

Mr. Franklin Floete, GSA
Gen. E. R. Quesada, FAA
Mr. Gordon Gray
Mr. McCone, AEC
Mr. John S. Patterson, OCDM
Mr. Roger Jones, GSC
Mr. Ralph Reid, BoB
Mr. Sumner Whittier, VA

Gen. Goodpaster
Mr. Kestnbaum - in part
Dr. Paarlberg
Mr. Anderson
Mr. Morgan
Mr. Harlow
Maj. Eisenhower
Mr. Kendall
Mr. Robert Gray
Mr. Siciliano
Mr. Wallis
Mr. Brad Patterson
Mr. Minnich

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Government Competition With Business - Mr. Stans recounted progress under the 1956 policy approved in Cabinet for reviewing activities possibly competitive with private business and closing out those where such competition was believed undesirable. About 52% of such activities in civilian agencies have been reviewed and some 250 have been terminated or curtailed. Among the military agencies, 344 have been terminated or curtailed and plans are in hand for similar action on another 256.

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In the course of this work, Mr. Stans said, it was found that only about 3,000 rather than 11,000 installations were really competitive with private business. Of these, in many cases, private operation was not feasible or could not be made available commercially; also certain national security activities as in AEC and DoD, others where a facility or service must be operated or maintained for security purposes and hence most desirably operated at an efficient rate. Mr. Stans noted that despite the existing policy statement that comparative costs should not be a decisive factor, there were nevertheless some places where commercial cost was clearly excessive -- as in topographic mapping where costs are 50% higher.

Mr. Stans thought that this program had had fringe benefits of discouraging new activities or expansion of old ones, and had also lead to certain management improvements and a greater use of GSA facilities. He noted also the paradox of Congressional interest in avoiding competition with private business even as protests were entered against closing government facilities. Mr. Stans recommended that for the future the project be brought within reasonable proportion by (1) completing the evaluation process, including a review of private contractor operations in government facilities; (2) focus on the most significant activities needing attention; (3) simplify the requirements for evaluating and reporting on the program; and (4) modify the present Budget circular as to the weight to be given to relative costs.

Mr. Kestnbaum stated his concurrence in these recommendations. He too thought it had been a most valuable program and that the real problem now was to focus on the most important activities remaining for review and attention.

The President, in the absence of comment from the Cabinet, stated that he had no objections and that action should proceed to carry out the recommendations.

Activation of Emergency Agencies - Gov. Hoegh outlined the proposed change in policy that would provide for the activation of emergency agencies only when the need is clear and when conditions permit, although there continues to be a need for planning for such agencies and keeping emergency personnel informed. As he saw it, emergency agencies would be activated very quickly only in those areas such as censorship where no single existing agency has clear responsibility for leadership. He stated that an Executive Order is now being prepared to give effect to "built in" readiness of existing agencies. He thought this change would enable declassification of certain aspects of the Emergency Agency plan.

The President thought the condition would have to be laid down that although the Secretary of Agriculture might use his present staff to

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do much planning against an emergency, nevertheless there would need to be an Emergency Declaration and the creation, in effect, of an Emergency Agriculture Agency and an Emergency Administrator in order that the various controls and procedures brought into being by the emergency could be quickly eliminated afterwards by abolishing the Emergency Agency. Also the President desired to avoid pinning on the regular Agency those distasteful operations that would have to be taken and which would reduce the Agency's effectiveness for peace time operations. The President appreciated that certain Agencies like State, Defense, Treasury, Justice, and a few others, would be engaged in what is their primary business anyway so there would be no need for the Emergency Declaration.

Sec. Benson asked if the President felt that the so-called regular activities of a department would have to be subject to the Emergency Department. He recalled the bickerings between the two in World War II. The President felt there was room for further consideration of certain details, and that perhaps some activities like research would not necessarily be subject, but certainly priority would have to be given to the winning of the war and recovery from the emergency. Sec. Benson thought that the Emergency Administrator ought to be able to call freely on any of the Bureaus of the existing Agencies. The President restated that his objective was to avoid perpetuating the emergency. Adm. Strauss thought a solution might be to have both the Emergency and the regular agency headed by the same person; Dr. Flemming thought this an important point since there would be a certain hard core remaining in the regular agency. The President felt that the Emergency head would have to take over much of the existing department, for instance the county agents in Agriculture, even though certain functions would not be of an emergency nature. He tended to agree with Sec. Benson's point. Sec. Benson thought that the Emergency Administrator might use his Assistant extensively for handling the remaining regular activities.

Adm. Strauss suggested and obtained approval for minor changes in the Cabinet paper concerning BDSA, and inclusion of all waterways -- inland as well as at sea.

The President stated his concurrence in the proposed change.

Copper Stockpile - Gov. Hoegh reviewed the situation of the Strategic and Critical Stockpile and also the Defense Production Stockpile as regards copper. He posed the question of whether it were desirable at the present time to dispose of 129,000 tons of copper surplus to the Defense Production Stockpile. The governing policy exists, he said, that there should be no action taken adverse to the national economy.

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He noted that it had been necessary for him to make a statement the preceding week that the Administration policy was to act with great care and that if any copper were sold from the stockpile, the action would be gradual and careful. Gov. Hoegh stated that his Agency thought the disposal should be carried through during this period of a healthy market.

There was an inconclusive discussion as to the significance of recent fluctuations in the copper market.

The President asked if Defense Department still provided materials to producers for certain activities. Mr. McElroy said the possibility of utilizing some copper in this way was being studied but that it would undoubtedly raise similar strong objections.

Mr. Stans pointed to the fact that some $3 or $4 billion worth of materials in the stockpile are classified as excesses, hence the review of this subject as a possible means of helping out in the present tight budget situation. He stated that Mr. Floete believes disposal of the 129,000 tons now would be in the interest of the economy by removing the threat of this overhang.

Mr. Stans spoke of the desirability of getting shortened the current requirement that any proposal for disposing of material for the Strategic Stockpile must lie in front of Congress for six months prior to action. A shorter waiting period would help avoid "missing the market."

Mr. Stans also suggested in connection with "put" contracts that it might be cheaper merely to pay the difference of $45 million between the present market price and the contract price, rather than to take the materials at the full contract price.

Mr. Stans also noted that certain government actions are being brought into line with stockpile excesses rather than making purchases on the market, as for instance Treasury purchases of copper for pennies.

Mr. Stans thought that all of these problems and the additional ones of barter -- which merely serves to increase surpluses in the stockpile -- and the 3-year stockpile concept should be reviewed and brought together in a Cabinet paper.

Sec. Anderson spoke at some length of various aspects of the problem and concluded that he would hesitate to sell copper now, preferring to await any undue increase in the price of copper or a real shortage of it. Mr. Herter concurred in Mr. Anderson's view because of the problems a present sale would occasion in our foreign relations as regards Chile, Mexico and Peru. Sec. Seaton stated that Interior opposes

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sale at this time, though he recognized that it was merely a matter of timing and that the day must come when the government disposes of these stockpile surpluses.

The President was not certain that the government should ever dispose of these materials until a real need for them existed somewhere. He thought things like copper were much more desirable to hold on to even than the gold that is buried at Fort Knox. The reason for this, he repeated, was that the supplies of these things were necessarily limited and eventually the day would come when they would be very much needed. The President allowed that they also might be used to defeat market speculation, such as that which occurred in coffee.

The President reaffirmed his favor for bartering perishable materials for nonperishable. The latter could be considered as money in the bank. Sec. Seaton agreed that he would be happy to see them retained if it were possible to remove the threat of overhang.

Dr. Saulnier recalled the government's interest in directing its actions against inflation and he favored a limited program to dispose of this copper over a 2-year period in order to moderate the inevitable rise in the price of copper. As for the industry being worried about the overhang, the only way to guarantee that the stockpiles would be permanently locked up would be by dumping them in the ocean, hence he favored a very close appraisal of the stockpiles to see if the government could get out from under by a very gradual and orderly disposal.

It was agreed that there should be further study of the matter looking to a full scale presentation at a later date.

Gov. Hoegh believed some announcement ought to be made as to the present status of things. The President opposed any formal announcement but was agreeable to further informal statements by Gov. Hoegh such as he was already involved in.

Mr. McElroy urged that there be discussions with the industry, if that had not already been accomplished, on how to dispose of the excesses since it was possible they could be very cooperative. Adm. Strauss noted that even copper producers are not of one view. Sec. Mitchell was anxious that there be no uncertainty as to the Administration's position, since labor contract negotiations are coming up in the industry and there could be great pressures upon the government to sell or not to sell should a strike occur.

The President commented that if sale of this copper were to be accomplished as an anti-inflationary measure then it should be done at a time when the situation was much more difficult than it is now and when a major government sale could have an impact instead of passing unnoticed.

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Economic Situation - Dr. Saulnier reviewed rather quickly a memorandum of encouraging statistics about the recovery and noted that by 1960 the economy may reach the $500 billion GNP mark.

Dr. Saulnier, introducing unemployment, emphasized the desirability of developing greater public understanding about such things as the need for greater knowledge as to who are unemployed and why, more attention to training and retraining for new skills, and improvement in operations of the State employment services with a view to greater flexibility in transfers from State to State.

He noted the current proposal for an Unemployment Commission and he thought it might be useful to publicize the many existing activities of the Administration in this regard, particularly measures recommended to the Congress but not acted upon by Congress.

Dr. Saulnier then pointed to a number of individual problems having great implications for the future of the economy. They included the threatened cutoff of the highway program, the expiration of housing authorizations, the failure of Congress to act on VA and HHFA interest rates which will soon be ineffective under present lending conditions, and the May 15th deadline on wheat crops. Outside of government, he noted the expected rise in the Consumer Price Index and a possibility of a steel strike.

The President ascertained from Dr. Saulnier that a proposal was being developed for a statement by the President. The President felt that it should be reviewed by the Vice President's Anti-inflation Committee.

The Vice President called attention to the steel strike, the possibility that the industry could grant a wage increase without necessitating an increase in the price of steel, and the encouragement that a steel wage raise would give to demands in other industries where price raises would be necessary. He stressed that the government should not become involved in this industry controversy but that it had been desirable and possible to bring to the attention of both labor and management the many pressures exerted upon the government for instituting controls, and how those pressures could be increased greatly unless a rational outcome of the steel controversy could be had.

L. A. Minnich, Jr.

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Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

April 16, 1959

MEMORANDUM

SUBJECT: Cabinet Agenda for Friday, April 24

Among the matters ready for discussion at the next Cabinet meeting are the following:

1. General Review of the Economic Situation with Particular Reference to Employment and Unemployment (Chairman Saulnier)

It has been several months since the Cabinet has heard from Dr. Saulnier about the domestic economic picture. Since then there has been a recovery from last year's recession. Unemployment, however, has not declined as rapidly as was hoped.

The Advisory Board on Economic Growth and Stability (an Under Secretary-level interdepartmental group chaired by Dr. Saulnier) has made a special study of the unemployment problem, including an examination of how much of the current unemployment is cyclical and how much is "structural". Dr. Saulnier will focus his presentation on the conclusions and recommendations of the Board.

Directly related to the above presentation, the Vice President has asked for ten minutes to give a preliminary report on the activities and plans of the Cabinet Committee on Price Stability and Economic Growth.

2. Consideration of Possible Import Curbs on Heavy Power Equipment (Governor Hoegh)

In March of 1958, the General Electric Company petitioned the government, under Section 8 of the Trade Agreements Act as amended, to impose restrictions in the importation of foreign-made heavy electric power equipment. Since that time, OCDM has been holding the required hearings and inter-agency studies. In order to provide the President with a full discussion of the alternatives involved, Governor Hoegh wishes to present this subject at the Cabinet meeting of April 24.

3. Government Competition With Business (Director Stans)

Director Stans has prepared, and we have circulated, a new paper on this existing Administration program. Through the measures proposed, Director Stans hopes to complete the implementation of this program which was begun in January, 1955, and on which the agencies have been working under Budget's guidance and coordination.

4. Guidelines for the Activation of Emergency Agencies (Governor Hoegh)

One of the major conclusions reached in the evaluation of last year's OPERATION ALERT was that, as the President summarized it: ". . . initial reliance in a situation of sudden emergency will have to be placed on the built-in readiness of existing departments and agencies, with emergency agencies to be established later as conditions would warrant or require." OCDM was at that time (October) assigned to develop the guidelines which would govern the establishment of those emergency agencies.

This assignment has been completed, and with the help of the Bureau of the Budget and the interested departments (through the Civil and Defense Mobilization Board) these guidelines have been made selective and flexible. They are spelled out in a Cabinet Paper which has been sent out for advance study.

5. The Concept and Task of the Committee on National Goals

Since it is clear that the entire Cabinet will be called upon to give the new Committee cooperation, assistance, information and perhaps even manpower, and since this cooperation must be thoroughgoing in order to help the Committee finish its task in time, the Cabinet should have a discussion in advance of the Committee's job and what will be expected of the departments.

6. Public Support of a Balanced Budget

In the past three weeks concerted efforts have been made by several members of the White House staff to encourage individual citizens to contact their representatives in Congress in support of the President's budgetary program. Through the mailing lists of national associations, over 800,000 contacts have been made. Through advertisements, estimated potential contacts have been made to over 72,000,000 people. Mr. Merriam agrees that a brief presentation at Cabinet regarding what we have accomplished would be effective in encouraging members of the Cabinet to renew their personal efforts, and, additionally, may bring to light further opportunities in this area.

Robert Gray
Secretary to the Cabinet

GOVERNMENT
COMPETITION
WITH
BUSINESS

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CHART 1

ADMINISTRATION POLICY

"IT IS THE GENERAL POLICY OF THE ADMINISTRATION THAT THE FEDERAL GOVERNMENT WILL NOT START OR CARRY ON ANY COMMERCIAL ACTIVITY...FOR ITS OWN USE IF SUCH PRODUCT OR SERVICE CAN BE PROCURED FROM PRIVATE ENTERPRISE THROUGH ORDINARY BUSINESS CHANNELS..."

SOURCE: Approved Cabinet Papers 14/1, Jan. 15, 1955
and 14/2, March 29, 1956

BOB BULLETINS 55-4, Jan. 15, 1955 and 57-7, Feb. 5, 1957

CHART 2

WHAT HAS BEEN DONE

1. CIVILIAN AGENCIES:

- Compiled inventory of commercial activities, conducted by Govt. for its own use, with equipment investment of $5,000 or more and annual product or service of $25,000 or more.
- Evaluated manufacturing activities
- Evaluated service activities

} 58% OF INSTALLATIONS INVENTORIED

- Reported new starts
- Terminated or curtailed 252 installations

2. MILITARY AGENCIES:

- Compiled partial inventory and evaluation
- Terminated or curtailed 344 installations
- Plan to terminate or curtail 256 installations

CHART 3

WHAT HAS BEEN LEARNED

1. The inventory was often misinterpreted as a measure of the extent of govt. competition. Actually, the inventory is merely a statistical tabulation of commercial-industrial activities and includes many instances where govt. is not really competing with business.

EXAMPLE: 11,155 manufacturing and service installations were inventoried. Only 25% or about 3,000 were really competitive and required further evaluation. Continued govt. operation of the remaining 8,000 installations was necessary or desirable...private ownership/operation was clearly infeasible.

CHART 4

EVALUATION OF THE INVENTORY SHOWED THAT PRIVATE OWNERSHIP/OPERATION WAS INFEASIBLE IN MANY INSTANCES BECAUSE:

A. THE ACTIVITY WAS AN INTEGRAL FUNCTION OF BASIC MISSION

EXAMPLE: Therapy for patients and rehabilitation for inmates of Federal institutions

B. THE PRODUCT OR SERVICE WAS NOT AVAILABLE COMMERCIALLY

EXAMPLE: Govt. activities on remote Indian reservations -- farms, logging camps, highway and street construction, electric light and power, ferries and eating places.

CHART 5

EVALUATION OF THE INVENTORY (contd.)

C. DISPROPORTIONATE ADMINISTRATIVE PROBLEMS WOULD BE INVOLVED FOR WORK THAT DOES NOT LEND ITSELF TO CONTRACTUAL PROCEDURES.

EXAMPLES: Research and development activities requiring highly specialized equipment or routine duplicating, mailing, and stenographic services.

CHART 6

WHAT HAS BEEN LEARNED (contd.)

2. THERE ARE COMPELLING CIRCUMSTANCES WHICH MAY REQUIRE CONTINUED GOVT. OPERATION

A. There are certain activities carried on by the Dept. of Defense and the Atomic Energy Commission which for reasons of national security cannot be turned over to private industry.

CHART 7

COMPELLING CIRCUMSTANCES (contd.)

B. There are a number of activities which cannot be turned over to private industry without incurring relatively large and disproprotionate costs.

C. When a facility must be operated or a service must be maintained for reasons of national defense, it is in the national interest that it be utilized at a level which will permit reasonable efficiency

CHART 8

WHAT HAS BEEN LEARNED (contd.)

3. BESIDES REDUCING GOVT. COMPETITION WITH BUSINESS, PROGRAM HAS HAD COLLATERAL BENEFITS WHICH CANNOT BE MEASURED

EXAMPLES: New starts and expansion curtailed...Agricultural Research Center developed criteria for using contractors instead of force account.

Management and operation improvements stimulated...Air Force substitution of commercial-type vehicles for special military vehicles reduces procurement and maintenance costs.

Greater use made of GSA services and facilities.

CHART 9

WHAT HAS BEEN LEARNED (contd.)

4. OPPOSITION TO SPECIFIC APPLICATIONS OF THE POLICY HAS NOT BEEN ELIMINATED. PRESSURES FROM SPECIAL INTEREST GROUPS - BOTH FOR AND AGAINST GOVT. OPERATION-CONTINUE. RESTRICTIVE LEGISLATION INTERFERES WITH MANAGEMENT DECISIONS AND ADMINISTRATIVE PROCESSES IN THE EXECUTIVE BRANCH

ENACTED

EXAMPLES: Legislation for continued govt. operation:
P.L. 157, 84th Congress...Required justification to Congress before using contractors if work had been done for three years or more by civilian employees in Dept. of Defense (no longer in effect)

PROPOSED

HR 3346, 86th Congress...Makes reduction of civilian employees due to termination, transfer, or curtailment of functions at military or naval installations in surplus labor areas subject to Congressional approval.

CHART 10

EXAMPLES OF RESTRICTIVE LEGISLATION (contd.)

Legislation against continued govt. operation:

ENACTED

P.L. 724, 85th Congress...Requires Secretary of Defense's certification that bakery, laundry, or dry-cleaning services are not obtainable from commercial sources at reasonable rates, before funds may be used for the construction, replacement, or reactivation of such facilities

PROPOSED

S 989, 86th Congress...Requires 75% of expenditures for naval vessel conversion, alteration, and repair be done in private ship yards.

S 976, 86th Congress...Requires 60% of expenditures for military aircraft and missile repair and overhaul be done with private industry.

HR 5265, 86th Congress...Requires at least 50% of govt. air travel and air freight be obtained from civil air operators.

HR 4944, 86th Congress...Establishes a Federal policy for govt. competitio New starts that would compete with business would have to be approved by the President himself after BOB review and recommendation. Complaints of existing govt. competition would be reviewed by Dept. of Commerce. An annual report on govt. business-type operations would be made by the President to the Congress

CHART 11

WHAT IS RECOMMENDED

1. COMPLETE THE PROCESS OF EVALUATION FOR CIVILIAN AND MILITARY ACTIVITIES.

   EXAMPLES: Activities in the fields of transportation, communication, warehousing, etc. are still to be evaluated.

   Evaluation should be made of activities carried on by private contractors in govt. owned facilities.

CHART 12

RECOMMENDATIONS (contd.)

2. MODIFY THE EXISTING PROGRAM SO AS TO MAKE IT MORE REALISTIC AND PRODUCTIVE:

   A. GIVE PRIORITY TO THE MOST SIGNIFICANT ACTIVITIES

      EXAMPLES: MATS; MSTS; maintenance of aircraft ships, and vehicles; Panama Canal Steamship Line; TVA construction; FAA administrative aircraft and AEC Govt. owned, contractor operated activities.

CHART 13

RECOMMENDATIONS (contd.)

B. SIMPLIFY EVALUATION AND REPORTING

EXAMPLES: Give agencies more authority and responsibility to make determinations (agencies continue to have authority to consider socio-economic effects before terminating or curtailing installations). Recognize clear infeasibility. Of the 8,000 civilian installations not yet evaluated, 5,500 are estimated to be clearly infeasible for private operation. These "infeasibles" would be reported in summary form for BOB review. Agencies report only major activities in detail. Minor activities would be reported in summary form only. Agencies may delegate action on activities of less than $1,000,000. Agencies review new starts.

CHART 14

RECOMMENDATIONS (contd.)

C. EXPAND PROVISION FOR CIRCUMSTANCES WHICH MAKE CONTINUED GOVT. OPERATION NECESSARY.

EXAMPLE: Amend BOB Bulletin to recognize relatively large and disproportionate increase in costs as a possible compelling reason for exception to the policy.

CHART 15

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CP - 59-14/5

March 12, 1959

The White House

Washington

THE CABINET

Government Competition with Business

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget.

This paper proposes further action to complete the implementation of the program initiated in approved Cabinet Papers 14/1, 56-14/2 and 56-14/4 and specified in Bureau of the Budget Bulletins 55-4 and 57-7.

The paper is preceded by a 3-page Brief. It is circulated for the concurrence of the Cabinet and the approval of the President.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

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March 12, 1959

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THE CABINET

Government Competition with Business

BRIEF

Problem: Approved Cabinet Paper 14/1 of January 15, 1955, re-enforced by approved Cabinet Paper 56-14/2 of April 6, 1956, established a policy designed to eliminate Government competition with private enterprise. This policy was initially implemented by Bureau of the Budget Bulletin 55-4 of January 15, 1955, and, following the approval of Cabinet Paper 56-14/4 of November 19, 1956, was further implemented by Budget Bulletin 57-7 of February 5, 1957. These two Bulletins provided for the application of this policy to two categories of Government commercial-type activity. Further Cabinet action is now required to provide a basis for completing the program thus initiated so as to apply the policy to the remaining categories under conditions which will make the program more manageable, improve its effectiveness, and put primary emphasis on items of major significance.

Discussion: The completion of the evaluation of manufacturing and service activities in the civilian agencies has resulted in action or decisions to discontinue or curtail operations in 252 instances. The Department of Defense has taken such action in 344 instances and has made decisions to do so in 256 additional cases.

Forty-two percent of the operations reported in the original inventory remain to be evaluated. These fall mainly into the categories of construction, transportation, communications, utilities, and warehousing.

It has been found that the inventory of activities carried on by civilian agencies, which listed over 19,000 cases of commercial-type activity, does not provide a meaningful index of the extent to which there is improper Government competition with business.

Analysis reveals the fact that in most instances these activities are not actually competitive with private industry and, further, that in the majority of cases it would not be feasible to terminate Government operation.

Evaluation of the remaining activities can be made more manageable and productive by concentrating attention on those which are important enough to represent significant competition. In addition, the administrative burden can be lightened and effectiveness increased if reporting requirements are simplified so as to relate the amount of detail required to the magnitude of the activity involved.

CABINET PAPER
For Consideration

In some cases in which real competition is found, there may be compelling reasons for continued Government operation. Under certain circumstances exceptions to the general policy have been authorized on such grounds as security or special quality requirements. Exceptions based on cost comparisons have not been authorized except under very special conditions. However, when a validly computed cost comparison indicates that procurement from private sources would involve substantially higher costs to Government, a compelling reason for continued Government operation may be indicated.

Government-owned contractor-operated facilities present a unique problem. Many of them are operated under circumstances which may not eliminate Government competition with private enterprise. These facilities should be evaluated as a special category.

Special arrangements for the administration of the program in the Department of Defense are required because of the size, complexity, and peculiar characteristics of some commercial-industrial activities in that agency.

The suggested modifications would make the program more manageable and realistic, and more productive in relation to effort required. They give the agency head more authority to make determinations and at the same time free him from detailed reporting. It should be understood that the modifications thus impose an increased responsibility on agency heads for objective and effective perusal of the program.

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Recommendations:

A. That all commercial-industrial activities which have not yet been evaluated be examined to determine those activities whose operation by private enterprise would be clearly unfeasible. These would be reported to the Bureau of the Budget and would not require further evaluation or action, unless the Bureau so requested.

B. That the survey phase of the program be brought to a conclusion by an evaluation of all remaining activities in order to effect their discontinuance or curtailment where appropriate.

C. That exceptions to the general policy be authorized in those instances where a finding is made that compelling reasons require continued Government operation. Comparative cost is to be recognized as a compelling reason only if the cost differential is significant and validly computed (as defined in the accompanying paper).

D. That priority consideration be given to the largest and most significant activities.

E. That special arrangements for the administration of its program be made with the Department of Defense.

Implementation:

The Director of the Bureau of the Budget will issue a Bulletin to Executive agencies implementing these recommendations. The heads of agencies will proceed to carry out the policy and instructions as indicated. The Bureau of the Budget will provide assistance in the review of special cases.

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Discussion: Background. Ever since coming into office, this Administration has concerned itself with Government competition with private industry. In accordance with Bureau of the Budget Bulletins, the civilian agencies of the Executive Branch have completed an inventory of all activities of a commercial-industrial nature conducted by the Government for its own use. Subsequently the agencies were asked to evaluate existing manufacturing and service activities, which together constitute 58% of all installations reported in the inventory, and proposed new starts in all categories. The task now remains to evaluate the remaining 42%, which fall mainly in the categories of construction, transportation, communications, utilities, and warehousing.

Inasmuch as the Department of Defense had already initiated a program in this field, the Department was authorized to make special administrative arrangements to be carried out under the general policies laid down by the Administration.

Due to the size and complexity and peculiar characteristics of the commercial-industrial activities carried on by the Department of Defense, it was determined that a complete inventory would not be required even though it is clear that the largest concentration of these activities is in that Department.

A survey of 357 manufacturing installations in the Defense Department revealed the fact that these installations had twice as many employees and three times as much in the way of capital investment as were used in all of the activities operated by civilian agencies.

The Termination Program. During the past four years, the Bureau of the Budget has been working closely with the agencies in an effort to accelerate the termination of those activities which are competitive with private interests. In conformity with the evaluation program, the Department of Defense has discontinued or curtailed activities in a total of 344 instances of which 134 were in the manufacturing and service categories. Decisions to take similar action have been made in 256 additional instances making a combined total of 600 planned and completed actions. The civilian agencies, as of June 30, 1958, have taken action or have planned to take action to discontinue or curtail 252 installations engaged in manufacturing or service activities.

Extent of Government Competition in Civilian Agencies. The civilian agencies reported 19,000 commercial-industrail type installations in the inventory. However, it is now clear that this figure does not represent a realistic measure of the extent to which Government is improperly competing with private enterprise. In a majority of cases, the transfer of Government operation to private enterprise is clearly not feasible because: (1) the function is integral to the basic mission of the agency*/; (2) adequate commercial sources are not always available; or (3) it would be administratively impractical to have the function performed commercially. **/ A careful review of the inventory of the activities carried on by civilian agencies indicates that the large majority of those listed offer no real competition with private industry.

A more realistic approach to the problem suggests that such activities be deemed outside the scope of the project and that our efforts be directed to those instances where the Government is in fact competing with private industry. It is in this area that we can hope to realize constructive results.

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*/ E.g.,-the commercial-type rehabilitation activities conducted for the benefit of inmates in Federal institutions.

**/ Of the 10,850 service installations reported in the inventory by civilian agencies, over 8,000 are custodial and maintenance activities of a character which most organizations, private or public, would perform with their own employees. Contracted custodial services would not ordinarily be desirable, for example, in post offices.

Exceptions to Policy

Nearly four years of experience with the program have demonstrated that even when a Government installation is clearly competitive with private enterprise, it does not always follow that the termination of this activity is in the public interest. In many instances there are considerations of security or highly specialized requirements as to products or services which offer compelling reasons for continuing Government operation. Agency heads are authorized to permit exceptions to the general policy in these cases, but exceptions are not authorized purely on considerations of cost.

The Administration has established a policy that "costs of a particular product or service will not be a deciding factor where adequate competition exists ...." This policy was based on the following premises: (1) Government costs are not comparable with corresponding business costs; (2) Government accounts are not kept in the same manner as are those of business; and (3) the consideration of cost as a deciding factor runs counter to the concept of a private enterprise economy and the policies of the Administration.

In a number of instances agencies have stated that even after making a liberal allowance for all elements of cost, including taxes that would be paid by private industry, procurement through private channels would very substantially increase Government costs. Procurement from private sources in such instances would tend to produce confusion and resistance to the program among those who are conscientiously striving for economy and efficiency in Government. It would thus appear that there are special circumstances in which cost considerations may justify exceptions to the general policy. */

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*/ Whenever an exception to the general policy is justified on the basis of cost, the comparative costs of both Government operation and private procurement must be fairly computed and complete. The costs assigned to Government operation must cover both direct and indirect costs, including handling and delivering to the place of use, and also including elements not usually chargeable to current appropriations, such as depreciation, interest on the Government's investment, and the cost of self-insurance (even though it is unfunded). An allowance for Federal, State and local taxes must also be made to the extent necessary to put Government and private costs on a comparable basis. For comparison, the costs attributed to procurement from private sources must also be fairly computed and complete. They should be truly representative of the lowest price the Government would pay for the quantity and quality needed, taking into account all applicable costs of the Government for such procurement, and costs of handling and delivery.

One other factor which has affected the rate of progress in this program has been the fear of adverse social and economic effects in the community in which the activity to be discontinued or curtailed is located,. Congressional and special interest groups have often taken action to forestall termination in such cases.

Government-Owned Contractor-Operated Facilities.

Heretofore Government-owned contractor-operated facilities have not been evaluated under the competition with business program. However, they may have many of the characteristics of actual Government operation and may continue to represent competition by the Government with private enterprise. Accordingly, these operations should be evaluated in the same manner as other activities in this program, but because of their mixed Government-private characteristics they should be reported as special cases.

Reporting.

In the past, activities of greatly varying importance and acceptability have been reported in identical fashion. The resulting profusion of data, with its undifferentiated treatment of activities, has impeded efforts to identify and concentrate on those activities with the greatest potential. It is highly desirable that reporting requirements be as simple as possible, consistent with the goal of providing responsible officials with necessary information. One step toward accomplishing this would be to eliminate at once from further evaluation under this program those activities whose transfer to private enterprise would be manifestly unfeasible.

These various ends could be accomplished if (a) the agencies reported to the Bureau of the Budget the specific activities which they believe could not possibly be transferred to private enterprise and such activities then become removed from the scope of this project, unless the Bureau disagreed; (b) minor activities among those remaining were reported only in summary; and (c) significant activities, which would receive the personal attention of the agency head were reported to the Bureau of the Budget in such a fashion as to facilitate whatever Bureau or outside aid and assistance which might be required.

Residual Effects.

The number of Government operations discontinued or curtailed is not the sum total of benefits derived from this program.

Carrying out the program has required agencies to subject their operations to a type of critical analysis that might otherwise have been overlooked. These analyses have often indicated to agency officials the intrinsic desirability of reviewing and revising their method of operation.

The program has had the following tangible benefits:

1. New starts not in harmony with the program have been prevented. Though these effects cannot be measured in numbers, they are just as worthwhile as the elimination of unwarranted activities.

2. Proposed increases in existing activities have also been forestalled.

3. Centralization of service activities in the General Services Administration, in conformity with the general program of the Administration, has also taken place. This is especially noticeable with regard to motor vehicle pools and repair activities.

4. Agencies have re-evaluated their standards and requirements for products or services.

Conclusions

The program would now be more manageable if agencies were directed to concentrate their attention on those activities in which actual competition with private enterprise exists. As a first step in completing the program, agency heads should survey their industrial-commercial type activities, and set aside those where it would be clearly not feasible to have the function performed by private enterprise. In dealing with cases where real competition exists, priority should be given to those activities of greatest significance and budgetary impact.

Furthermore, the whole program would become more in harmony with other objectives of the Administration if a more realistic attitude toward cost comparisons were to be taken. The basic policy that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such a product or service can be procured from private enterprise through ordinary business channels should be emphasized. Exceptions would be authorized only when it is determined that there are compelling reasons for the Government to provide its own goods and services. There may be cases in which a substantial differential in costs may be regarded as a "compelling reason." There is a presumption in favor of private enterprise and the burden of proof rests on the agency which determines that an exception should be authorized. All relevant factors should be taken into account including considerations of public policy even though the carrying out of these policies may not be the immediate concern of the agency or official directly responsible for the particular activity.

Finally, the administrative burden of this program could be lightened by simplifying reporting and relating the amount of detail required to the magnitude of the activity involved.

The foregoing modifications should make the program more manageable and realistic, and more productive in relation to effort required. They give the agency head more authority to make determinations and at the same time free him from detailed reporting. Accordingly, it should be understood that the modifications impose an increased responsibility on agency heads for objective and effective perusal of the program.

Recommendations

A. That all commercial-industrial activities which have not yet been evaluated be examined to determine those activities whose operation by private enterprise would be clearly unfeasible. These would be reported to the Bureau of the Budget and would not require further evaluation, or action, unless the Bureau so requested.

B. That the survey phase of the program be brought to a conclusion by an evaluation of all remaining activities in order to effect their discontinuance or curtailment where appropriate.

C. That exceptions to the general policy be authorized in those instances where a finding is made that compelling reasons require continued Government operation. Comparative cost is to be recognized as a compelling reason only if the cost differential is substantial and is validly computed (as defined herein).

D. That priority consideration be given to the largest and most significant activities.

E. That special arrangements for the administration of its program be made with the Department of Defense.

Implementation

The Director of the Bureau of the Budget will issue a Bulletin to Executive agencies implementing these recommendations. The heads of agencies will proceed to carry out the policy and instructions as indicated. The Bureau of the Budget will provide assistance in the review of special cases.

CABINET PAPER—PRIVILEGED

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CP - 59-14/5

April 30, 1959

The White House

Washington

THE CABINET

Government Competition with Business

The attached approved paper is circulated for action by the affected Departments and Agencies, under the coordination of the Bureau of the Budget.

This paper was approved by the President at the Cabinet meeting of April 24, 1959 (RA - 59-130, Item 1).

The attention of the action Departments and Agencies is called to the examples cited in sub-paragraph 1(b) of RA - 59-130.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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Discussion: The completion of the evaluation of manufacturing and service activities in the civilian agencies has resulted in action or decisions to discontinue or curtail operations in 252 instances. The Department of Defense has taken such action in 344 instances and has made decisions to do so in 256 additional cases.

Forty-two percent of the operations reported in the original inventory remain to be evaluated. These fall mainly into the categories of construction, transportation, communications, utilities, and warehousing.

It has been found that the inventory of activities carried on by civilian agencies, which listed over 19,000 cases of commercial-type activity, does not provide a meaningful index of the extent to which there is improper Government competition with business.

Analysis reveals the fact that in most instances these activities are not actually competitive with private industry and, further, that in the majority of cases it would not be feasible to terminate Government operation.

Evaluation of the remaining activities can be made more manageable and productive by concentrating attention on those which are important enough to represent significant competition. In addition, the administrative burden can be lightened and effectiveness increased if reporting requirements are simplified so as to relate the amount of detail required to the magnitude of the activity involved.

In some cases in which real competition is found, there may be compelling reasons for continued Government operation. Under certain circumstances exceptions to the general policy have been authorized on such grounds as security or special quality requirements. Exceptions based on cost comparisons have not been authorized except under very special conditions. However, when a validly computed cost comparison indicates that procurement from private sources would involve substantially higher costs to Government, a compelling reason for continued Government operation may be indicated.

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The suggested modifications would make the program more manageable and realistic, and more productive in relation to effort required. They give the agency head more authority to make determinations and at the same time free him from detailed reporting. It should be understood that the modifications thus impose an increased responsibility on agency heads for objective and effective perusal of the program.

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Inasmuch as the Department of Defense had already initiated a program in this field, the Department was authorized to make special administrative arrangements to be carried out under the general policies laid down by the Administration.

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**/ Of the 10,850 service installations reported in the inventory by civilian agencies, over 8,000 are custodial and maintenance activities of a character which most organizations, private or public, would perform with their own employees. Contracted custodial services would not ordinarily be desirable, for example, in post offices.

Exceptions to Policy

Nearly four years of experience with the program have demonstrated that even when a Government installation is clearly competitive with private enterprise, it does not always follow that the termination of this activity is in the public interest. In many instances there are considerations of security or highly specialized requirements as to products or services which offer compelling reasons for continuing Government operation. Agency heads are authorized to permit exceptions to the general policy in these cases, but exceptions are not authorized purely on considerations of cost.

The Administration has established a policy that "costs of a particular product or service will not be a deciding factor where adequate competition exists ...." This policy was based on the following premises: (1) Government costs are not comparable with corresponding business costs; (2) Government accounts are not kept in the same manner as are those of business; and (3) the consideration of cost as a deciding factor runs counter to the concept of a private enterprise economy and the policies of the Administration.

In a number of instances agencies have stated that even after making a liberal allowance for all elements of cost, including taxes that would be paid by private industry, procurement through private channels would very substantially increase Government costs. Procurement from private sources in such instances would tend to produce confusion and resistance to the program among those who are conscientiously striving for economy and efficiency in Government. It would thus appear that there are special circumstances in which cost considerations may justify exceptions to the general policy.*/

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*/ Whenever an exception to the general policy is justified on the basis of cost, the comparative costs of both Government operation and private procurement must be fairly computed and complete. The costs assigned to Government operation must cover both direct and indirect costs, including handling and delivering to the place of use, and also including elements not usually chargeable to current appropriations, such as depreciation, interest on the Government's investment, and the cost of self-insurance (even though it is unfunded). An allowance for Federal, State and local taxes must also be made to the extent necessary to put Government and private costs on a comparable basis. For comparison, the costs attributed to procurement from private sources must also be fairly computed and complete. They should be truly representative of the lowest price the Government would pay for the quantity and quality needed, taking into account all applicable costs of the Government for such procurement, and costs of handling and delivery.

One other factor which has affected the rate of progress in this program has been the fear of adverse social and economic effects in the community in which the activity to be discontinued or curtailed is located.. Congressional and special interest groups have often taken action to forestall termination in such cases.

Government-Owned Contractor-Operated Facilities.

Heretofore Government-owned contractor-operated facilities have not been evaluated under the competition with business program. However, they may have many of the characteristics of actual Government operation and may continue to represent competition by the Government with private enterprise. Accordingly, these operations should be evaluated in the same manner as other activities in this program, but because of their mixed Government-private characteristics they should be reported as special cases.

Reporting.

In the past, activities of greatly varying importance and acceptability have been reported in identical fashion. The resulting profusion of data, with its undifferentiated treatment of activities, has impeded efforts to identify and concentrate on those activities with the greatest potential. It is highly desirable that reporting requirements be as simple as possible, consistent with the goal of providing responsible officials with necessary information. One step toward accomplishing this would be to eliminate at once from further evaluation under this program those activities whose transfer to private enterprise would be manifestly unfeasible.

These various ends could be accomplished if (a) the agencies reported to the Bureau of the Budget the specific activities which they believe could not possibly be transferred to private enterprise and such activities then become removed from the scope of this project, unless the Bureau disagreed; (b) minor activities among those remaining were reported only in summary; and (c) significant activities, which would receive the personal attention of the agency head were reported to the Bureau of the Budget in such a fashion as to facilitate whatever Bureau or outside aid and assistance which might be required.

Residual Effects.

The number of Government operations discontinued or curtailed is not the sum total of benefits derived from this program.

Carrying out the program has required agencies to subject their operations to a type of critical analysis that might otherwise have been overlooked. These analyses have often indicated to agency officials the intrinsic desirability of reviewing and revising their method of operation.

The program has had the following tangible benefits:

1. New starts not in harmony with the program have been prevented. Though these effects cannot be measured in numbers, they are just as worthwhile as the elimination of unwarranted activities.
2. Proposed increases in existing activities have also been forestalled.
3. Centralization of service activities in the General Services Administration, in conformity with the general program of the Administration, has also taken place. This is especially noticeable with regard to motor vehicle pools and repair activities.
4. Agencies have re-evaluated their standards and requirements for products or services.

Conclusions

The program would now be more manageable if agencies were directed to concentrate their attention on those activities in which actual competition with private enterprise exists. As a first step in completing the program, agency heads should survey their industrial-commercial type activities, and set aside those where it would be clearly not feasible to have the function performed by private enterprise. In dealing with cases where real competition exists, priority should be given to those activities of greatest significance and budgetary impact.

Furthermore, the whole program would become more in harmony with other objectives of the Administration if a more realistic attitude toward cost comparisons were to be taken. The basic policy that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such a product or service can be procured from private enterprise through ordinary business channels should be emphasized. Exceptions would be authorized only when it is determined that there are compelling reasons for the Government to provide its own goods and services. There may be cases in which a substantial differential in costs may be regarded as a "compelling reason." There is a presumption in favor of private enterprise and the burden of proof rests on the agency which determines that an exception should be authorized. All relevant factors should be taken into account including considerations of public policy even though the carrying out of these policies may not be the immediate concern of the agency or official directly responsible for the particular activity.

Finally, the administrative burden of this program could be lightened by simplifying reporting and relating the amount of detail required to the magnitude of the activity involved.

The foregoing modifications should make the program more manageable and realistic, and more productive in relation to effort required. They give the agency head more authority to make determinations and at the same time free him from detailed reporting. Accordingly, it should be understood that the modifications impose an increased responsibility on agency heads for objective and effective perusal of the program.

Recommendations

A. That all commercial-industrial activities which have not yet been evaluated be examined to determine those activities whose operation by private enterprise would be clearly unfeasible. These would be reported to the Bureau of the Budget and would not require further evaluation, or action, unless the Bureau so requested.

B. That the survey phase of the program be brought to a conclusion by an evaluation of all remaining activities in order to effect their discontinuance or curtailment where appropriate.

C. That exceptions to the general policy be authorized in those instances where a finding is made that compelling reasons require continued Government operation. Comparative cost is to be recognized as a compelling reason only if the cost differential is substantial and is validly computed (as defined herein).

D. That priority consideration be given to the largest and most significant activities.

E. That special arrangements for the administration of its program be made with the Department of Defense.

Implementation

The Director of the Bureau of the Budget will issue a Bulletin to Executive agencies implementing these recommendations. The heads of agencies will proceed to carry out the policy and instructions as indicated. The Bureau of the Budget will provide assistance in the review of special cases.

DECLASSIFIED
E.O. 11652, Sec. 11
MR 77-52 #40
By J.W. Date 11-20-77

~~SECRET~~

Hoegh - You approve the paper, then?

DDE: With a condition: - for this reason.

Take Agriculture as an example. Agriculture has to plan for the work of controlling food, but there is no power in any agency of government do do that. Therefore, there has to be a declaration of emergency.

So, each agency must do what it has to do, then, under its own authority, just as the President will have to.

But - the Secretary of Agriculture is exercising these powers not as Secretary of Agriculture, but as Administrator of Food, and he builds up his wartime organization under this kind of authority.

In an attack and for a long period beyond, we would have to impose controls. We do not want the normal agencies of government to take up that work of controls - we want emergency agencies to do this, so that they can be taken out of government again.

Departments have relationships in time of peace which they are not set up to handle in time of war. In peacetime, the Department of Agriculture, for example, provides services for farmers. In war, drastic controls must be exercised over these same farmers. Then in peacetime, the services reappear. The same man, who must have friendly relationships with the farmers, cannot be the one who imposes the controls during the war.

Just don't say that this planning is going to be done as Secretary of Agriculture.

Hoegh - But done within Agriculture

DDE: Yes, but not as "Agriculture"

Justice, State, Defense, etc - this is their business. But "manpower", "food", etc, there is no authority here of the same nature.

Controls will bring the country back from disaster, but this is not the normal role of "Labor", "Agriculture", etc. Post Office may have an emergency role involving censorship and communications of the mails perhaps; but make the difference very clear.

Benson: The regular activities of the "Department" would have to be subject to the emergency organization. In the past we had two heads, and there was continuing conflict.

DDE: (Referring to residual peacetime, non-wartime functions): You have research, for example; you will not break this up.

This whole Administration must win the war and get people back on their feet. Everything becomes subservient to that.

Benson: The War Food Administrator would have the power to call on any single part of the "Department of Agriculture".

DDE: I have not thought much about that; I would suppose so.

~~SECRET~~

DDE(continued) : But in an emergency, and using that as an excuse, let us not perpetuate those controls for the future.

Benson: Remember Davis (WFA) and Wickard (Eec of Agri). There was, constant conflict.

DE: There was a failure to make decisions; there was jealousy and a reluctance to delegate properly.

Benson: The War Food Administrator must have authority to call on every agency of the ~~kix~~ "Department" of Agriculture.

DE: I have not thought much about that specifically, but he is the boss.

Flemming: The emergency organization would retain the hard core of the peacetime organizatio.

DDE: Well, there are some ~~XXXXXXXX~~ activities which would not have wartime functions - e.g. research. But you take the County Agents -- they would be taken over, and they would have to, obey orders or get shot, or sent to jail or whatever... Each head of a Department that has got a function which could be utilized or so divided will divide~~X~~ it in am emergency and then take it back. But ~~XX~~ as for emergency organization, I agree with Secretary Benson, there should be one boss in that whole field;- so, in time of emergency, the peacetime parts must be dominated by the wartime boss.

Flemming: One man wearing two hats.

Benson: Have an Assistant running the regular or non-wartime ~~XXXXXXXXXX~~ functions of the emergency agencies.

Strauss: (Asks for corrections on pages 2 and 3).

THE WALL STREET JOURNAL, Monday, April 27, 1959

Government Says It Will Keep Its Surplus Copper; Senate Action Called a Factor

By THOMAS J. KELLER
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—The Government has decided to keep its surplus copper.

That became well defined over the weekend when high Government officials assured mining state Congressmen there will be no sale of copper from Government stockpiles in the foreseeable future.

The decision not to offer the copper, it is understood, was reached at a White House meeting Friday. One of the chief factors influencing the decision, Washington sources said, was Senate adoption of a resolution urging the Government to hang onto its copper, and which had stated such release would raise "incalculable danger to the national security and the economic well-being of the nation."

Possible disposal of some 128,000 short tons of copper from the stockpile had been under study by the Office of Civil and Defense Mobilization for at least the past two weeks. The agency had indicated plans to offer the metal in doses of up to 5,000 tons a month.

Other Surplus Metals

There are other metals—such as aluminum, cobalt, nickel, lead and manganese—that are also in over-supply in the Government's stockpile. An official said the settlement of the question of disposal of copper will free O.C.D.M. to review the supply situation for these other materials.

Reports about two weeks ago that the O.C.D.M. was considering the sale of copper from its excess stocks were roundly denounced by the copper mining industry, as well as by Congress. Its first impact was to send copper prices downward in the more speculative futures markets in the U.S. and in London, with some subsequent recovery.

The markets for copper last week were waiting for developments in Washington. A modest revival in demand led custom smelters to boost their price Tuesday a half-cent to 32½ cents a pound, putting their quotation a full cent above the producer of 31½ cents a pound. The custom firms the week before had slashed their price two cents a pound to 32 cents, in two stages of a cent each.

Demand dwindled after the rise to 32½ cents, and on the final two days, the smelters reported consumer buying was "quiet." The custom smelters, however, asserted their supply also is "quite limited" and dependent mainly on how much scrap they can buy to process into refined copper.

There also were reports of metal dealers and brokers selling refined copper at 32¼ cents a pound. As the week ended, buyers were not interested at that price, dealers said.

Foreign copper also was said to have been available for sale to American industry at moderate price concessions from the 32½ cent custom smelter price.

The price for scrap copper last week was boosted Tuesday a half-cent a pound to 26¼ cents for No. 2 copper wire scrap, then fell back to 25¾ cents and ended at 26 cents a pound.

The more speculative markets for copper in London and New York ended the week with slight advances over the previous week—London about ¼-cent higher with the quotation for immediate delivery metal ending at the equivalent of about 29.31 cents a pound asked. In New York, Commodity Exchange, Inc., futures contract prices closed with net gains of 0.10-cent to 0.19-cent a pound, with final prices ranging from 31.15 cents a pound up to 31.75 cents a pound.

Large U.S. mine producers stayed at 31½ cents a pound with their May supply sold out or accounted for, and consumers willing to take more if it were available. Producers will not start taking June delivery orders for another couple of weeks.

Brass Mill Business Off a Bit

new orders that called for the use of 165,324 tons of new refined copper. They were the highest monthly bookings in nearly nine years, or since October, 1950, bookings of 166,435 tons more than were booked in February this year.

Products shipped from their plants in March contained 136,890 tons of new refined copper, 20,325 tons more than February shipments and the highest since October, 1958, shipments of 138,017 tons.

Lead Price Raised

Lead's price last week was boosted a half-cent a pound to 11½ cents a pound New York, the result of conditions that were similar to those that had prevailed prior to the metal's rise of a half-cent to 11½ cents on March 5. By April 1, however, the lead price had moved back to 11 cents.

The latest advance followed stepped-up buying for May delivery metal at the fixed price of 11 cents. It occured at about the same time offerings of scrap lead had dwindled. As a result, smelters who process scrap materials, and some of their customers, were forced to go to the primary refiners and producers of lead.

As in the March advance, consumer demand dropped after the price went to 11½ cents.

American Smelting & Refining Co. last week said it plans further cuts in lead production at its mines in Canada, Mexico and Peru. The company also reported it had been advised by its 53.9%-owned affiliate, Mount Isa Mines, Ltd., in Australia that this big lead and zinc producer also plans substantial cuts in output of both metals.

Demand for zinc last week showed an improvement in steel mill buying of prime Western grades for May galvanizing operations. But zinc producers continue to report slow buying of special high grade zinc, the type used by die casters for the automobile industry. Zinc's price held unchanged at 11 cents a pound East St. Louis.

C. R. Ince, vice president of St. Joseph Lead Co., predicted U.S. industry in 1959 will consume about 17% more lead than it did in 1958. Slab zinc use, he estimated, will rise to 960,000 tons from 821,000 tons last year. He also estimated a 10% increase in domestic mine production, which would bring 1959 output to 440,000 tons. The remainder will be chiefly imported metal. He said he based his higher estimates largely on anticipated increased activity in the steel and die casting industries, which account for 80% of zinc usage. The largest single consumer of zinc last year was the steel industry, which used slightly more than 371,000 tons of zinc, or 45% of the total consumption.

Mr. Ince also predicted lead consumption in 1959 will rise to 1,032,600 tons from 982,400 tons in 1958. But the supply, even with the quotas which restrict lead and zinc imports to 80% of the average for 1953-1957, will aggregate about 1,096,400 tons, or 64,000 tons more than is needed.

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Brass Mill Business Off a Bit

Brass mill officers report April's new business has not been as large as in March, when buying was particularly heavy. April shipments of products from their mills, however, are expected to be well above those of March, which were the largest for the year to date. But they add: "Business still is pretty good." They concede a good-sized amount of the buying is a protective move against possible strikes at mid-year, when important copper mining industry labor contracts expire.

March statistics for brass mills, wire mills and foundries pointed up the effects this inventory build-up have had on these concerns' activities.

The mills and foundries last month booked

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of a deteriorating manuscript item.

The President and the Cabinet noted favorably the informal report given by the Vice President, there being no objection to the two major conclusions he presented with respect to wage negotiations:

(continued next page)

CABINET PAPER

For Action

[DRAFT - not approved for circulation]

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A. (cont.)

1) The Administration should continue its firm position that there will be no government intervention at the bargaining table; and

2) Under appropriate circumstances, it may be desirable for members of the Administration informally to indicate concern that inflationary wage settlements could provoke insistent demands for mandatory controls or other procedures governing wages and prices which would be clearly unsound.

Robert Gray
Secretary to the Cabinet

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CA - 59-131

April 29, 1959

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, May 1, 1959

1.	Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation	CP - 59-96	The Director, Bureau of the Budget
2.	Monthly Status Report on Expenditure and Personnel Levels	(Oral)	The Director, Bureau of the Budget
3.	Public Support of a Balanced Budget	(Oral)	The Deputy Assistant to the President for Congressional Affairs
4.	Review of Progress Toward the Coordination of Agency Regional Boundaries	(Oral)	The Director, Office of Civil and Defense Mobilization

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

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E.O. 11652, Section 1
By GWC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

May 1, 1959

9:05 a.m. 10:30 a.m.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Anderson
Sec. McElroy
Dep. AG Walsh
(for Mr. Rogers)
PMG Summerfield
Under Sec. Bennett
(for Sec. Seaton)
Sec. Benson
Under Sec. Mueller
(for Sec. Strauss)
Under Sec. O'Connell
(for Sec. Mitchell)
Sec. Flemming

Director Stans
Gov. Hoegh

Mr. Franklin Floete, GSA
Mr. Elmer Staats, BoB
Mr. Tom Graves, BoB

Mr. Siciliano
Mr. Killian
Dr. Paarlberg
Mrs. Wheaton
Mr. Robert Gray
Maj. Eisenhower
Mr. Kendall
Mr. Price
Mr. Anderson
Mr. Harlow
Capt. Aurand
Mr. Patterson
Mr. Minnich

Farm Legislation - The President opened the meeting with a request that Cabinet members think over the possibility of putting before Congress soon a definite proposal for further agricultural legislation. He recalled that we had thus far this year merely presented a statement of the problem and several possible solutions.

The President expressed his belief that the government should not be making such large payments to a single farm as it occasionally does ($750,000 or $1 million). He thought the Administration might take the position of making payments only to a maximum of perhaps $20,000. He thought this not just a question of money but rather one of acceptability in public opinion.

The President requested Cabinet members to give their views to Sec. Benson should they have any.

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Federal Immunity from State and Local Taxes (CP 59-96) - Director Stans called attention to recent court decisions which would permit taxation of property belonging to the Federal government but temporarily in the hands of private contractors. He noted that a number of such cases were pending in many states and that some states were proceeding with legislation to establish such authority. From the Federal point of view, Mr. Stans said it might be desirable to obtain immunity from such taxation through an Act of Congress.

Mr. Stans said that similar problems existed with respect to inventories in the hands of contractors, which could cause a heavy increase in the Defense Department and AEC budgets.

An additional question arose in connection with the possibility of unlimited rectroactive assessments in states not having a statute of limitations.

Mr. Stans went over three alternative proposals for meeting this situation:

1. Complete immunity - which probably would not be a fair solution;

2. Partial immunity, which would allow taxation where a private contractor was using government property at least in part to carry on nongovernmental operations;

3. A combination of partial immunity with payments in lieu of taxes in hardship cases.

Mr. Stans noted that the Cabinet had approved in 1956 a policy of payments in lieu of taxes but had set a backward limit of June 30, 1950. He noted that agency opinions now differ as to what the cutoff point should be. He stated that either the second or third alternative seemed acceptable but that Budget recommended the third. Other than the cutoff date, all interested departments and agencies concurred in seeking the necessary legislation.

The President commented on the irony of localities threatening to tax government activities at the same time as they make desperate efforts to secure the location of such activities in their areas.

The President thought a compromise date of 1945 might be agreed upon, especially since that would foreclose any new charges for World War II which had cost so much. Mr. McElroy pointed out that the payments would be for hardship cases only, that it would be very difficult to get any bill through, and a 1939 date might facilitate the action.

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Mr. Stans noted existing programs where Federal payments provide assistance to states and localities, such as highway aid and school assistance.

Secretary Anderson warned of the potential danger to the level of Federal tax receipts from gimmicks becoming favored, such as a scheme for a municipality to purchase an industry with tax exempt bonds and a guaranteed 9% interest for the original owners. He also noted how certain local tax increases will force up the cost of living and add to the expenses of the Federal government if widespread. He suggested the possible desirability of adding to this proposed legislation some sort of a provision that would initiate a limitation on the issuance of tax free bonds.

The President commented on reports he had heard of how business now seeks primarily people adept at finding ways to reduce their taxes rather than any other particular capability. He closed the discussion after ascertaining that the Bureau of the Budget will see to the drafting of the necessary legislation.

Budget and Personnel Report - Mr. Stans went over the figures on expenditures by the several departments and agencies and stated his expectation that this Fiscal Year may be completed with a $13 billion deficit, unless Congress persists in pushing into next year the International Monetary Fund item, which would reduce the deficit accordingly by $1.4 billion.

Regarding personnel Mr. Stans noted the major increases in the Post Office, the Federal Aviation Agency, Housing and HEW. He believed that with additional effort the Administration could succeed in winding up the Fiscal Year with the same number of employees as last year.

The President inquired as to why Housing needed additional people. Mr. Stans informed him that it was because of the additional mortgage purchasing program. Sec. Benson suggested that the Administration undertake a new 2% reduction of personnel.

Public Support of a Balanced Budget - Mr. Harlow recounted in some detail the various efforts to encourage public expressions of opinion on this subject. He emphasized the importance of such expressions on Congressional actions and the need for maintaining them in the months ahead as Congress comes down to the wire on appropriations. He asked specifically that the Cabinet renew their requests to their friends, including subordinate Presidential appointees in the effort.

Mr. Harlow pointed out how the HEW budget underwent a substantial increase without any significant debate. Mr. Flemming stated that

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no Republican could be found to sign a minority report against the $181 million increase, but that his department had put out a statement taking exception to it. He suggested placing before the Congress a special tax increase proposal to pay for this particular increased appropriation. The President commented on the difficulty of obtaining public understanding of the budget jockeying, hence the criticism that would result from a tax increase proposal in this instance. He commented on a Gallup poll which showed very little public understanding or interest in some of these questions but did show a very great interest in maintaining a balanced budget.

The President felt that Republicans would support him in a veto effort should that be necessary even though they had voted in support of a particular project, because the issue of supporting the President would be a different one than originally faced them.

The President thought the responsibility should be kept on the Democrats. The Vice President suggested to Dr. Flemming that he could speak on how increases could not be tolerated by the Administration unless the Congress showed revenues to pay for them.

After Dr. Flemming commented on the specific items that were increased -- mainly in the field of health and hospitals -- the President recalled how greatly the appropriations had been implemented for these things in recent years. The Vice President asked whether more money could be usefully spent on health research projects, to which Dr. Flemming replied that it could be only at the expense of siphoning off trained personnel from teaching and research. He stated in a positive way that the Administration could carry on a solid research program with the funds asked and without causing any increase of inflationary pressures that would reduce the value of whatever appropriation is obtained.

Sec. Benson reverted to the question of agricultural legislation and suggested the possibility of developing strong public support for this just as for a balanced budget. The President requested Mr. Benson to supply a simple paragraph that might be used in the next news conference.

Mr. Stans called attention to the excellent statement by Clarence Cannon that appeared recently in the Congressional Record. (Attached)

The Vice President inquired about the validity of Senator Lyndon Johnson's remark of cutting expenditures in recent years. Mr. Harlow said that the rebuttal of this had already been worked up and could be readily provided. Mr. Stans said that when all things were counted, Sen. Johnson's $10 billion decrease turned rapidly into a $5-1/2 billion increase.

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Regional Boundaries - Gov. Hoegh outlined the progress made in coordinating the regional boundaries of various agencies with those of the Army areas and those used by OCDM. He pointed out that some agencies would incur additional costs in making the change and that in some instances it was not practicable to change the location of a regional office because of public opinion problems but that perhaps arrangements could be made for operating at the general regional center when necessary.

Gov. Hoegh said that a number of these changes would become effective October 1. He recommended that no public announcement of them be made. The President concurred.

Sec. Anderson raised the question of how the Federal Reserve System would be coordinated and Gov. Hoegh said he would be glad to take it up for further study. The President suggested that the FRB, although limited by law from accomplishing any change, could probably designate particular banks to deal with OCDM in an emergency.

Dr. Flemming pointed out that the increased costs to HEW could be accomplished within their existing budget. He believed however that appropriate information would have to be provided to the interested Members of Congress since a specific point had been made in budget hearings as to the possibility of any regional realignment. The President thought that this was a minor administrative adjustment which could be accomplished without reference to Congressional committee comments.

Food for Peace - Sec. Benson mentioned briefly the forthcoming meetings of interested nations in regard to this program. From preliminary discussions, he believed the meeting would be a productive one since there was a willingness among the countries to see the U. S. increase its donations as long as it could be accomplished without interference with normal commercial markets.

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman (2)
Mr. Robert Gray
Mr. Minnich

RA - 59-131

CABINET PAPER—PRIVILEGED

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May 22, 1959

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 1, 1959:

1. Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

CP - 59-96

ACTION:

a) The President approved Cabinet Paper 59-96, with the understanding that in its implementation, the Director of the Bureau of the Budget will look to the Secretary of Defense initially to draft the text of the proposed statute.

b) It was agreed that June 30, 1950, should be the cut-off date recommended, with September, 1939, a possible compromise if necessary.

c) The President made the suggestion that in addition to proposing the legislation recommended, steps should be taken, as appropriate, to indicate to the states that the imposition by them of heavy tax burdens on government contractors is likely to have disadvantageous results for those same states in terms of the location of new defense industries.

d) The President stressed the importance of proceeding with draft legislation to negate the mis-use of tax-free municipal bonds, as reported by the Secretary of the Treasury; it was agreed that consideration would be given to including this legislation in the above package.

e) The Secretary of the Treasury is to consult with the chairmen of the appropriate Senate and House committees in order to bring to their attention the importance and urgency of the legislation being proposed.

2. Monthly Status Report on Expenditure and Personnel Levels

[Charts]

ACTION:

The Cabinet noted the successful results which have come from the recent effort to reduce personnel by two percent from the level financed, as indicated by the likelihood that with a $9.5 billion increase in Federal spending from FY 1958 to FY 1959, there will be little if any increase in number of personnel.

3. Public Support of a Balanced Budget

ACTION:

a) The President approved the following recommendations which were presented:

  i) That the recent and successful common effort to maximize public support for the President's budget be continued vigorously.

  ii) That this effort be extended to all Presidential appointees.

  iii) That the Secretary to the Cabinet continue to bring national associations into this effort, working with the above, for a peak of public response in early June.

b) The President approved Administration spokesmen's making public reminders that those who propose increases in Federal spending beyond the levels in the budget should also propose the revenue measures to cover the increased costs.

c) The Secretariat will circulate to the members of the Cabinet the 11-point statement of the Chairman of the House Appropriations Committee and also the recent public statement giving the facts with respect to the reductions and increases by Congress in the budgets of this Administration since 1953.

4. Review of Progress Toward the Coordination of Agency Regional Boundaries

ACTION:

The President supported the agreements reached to date in the discussions which the Director of the Office of Civil and Defense Mobilization has undertaken with the agencies affected, namely:

a) The Office of Civil and Defense Mobilization has announced the establishment of a Regional Office at Everett, Washington, near Seattle.

b) The Departments of Interior, Commerce and Agriculture, which do not have regional structures as such, will designate staffs which will be prepared to carry on civil defense and defense mobilization functions in conformity with the agreed regional pattern.

c) The Housing and Home Finance Agency will make boundary adjustments, effective October 1, 1959, to conform to the agreed regional pattern; a capability to execute civil defense and defense mobilization functions will be established in Seattle, Denver and Boston.

d) The Bureau of Employment Security of the Department of Labor will conform its boundaries to the agreed eight-region pattern, effective October 1, 1959. A capability to execute civil defense and defense mobilization functions will be established as necessary, including Denver and Boston.

e) The Department of Health, Education, and Welfare will adjust its nine regions to conform to the agreed regional pattern, effective October 1, 1959; an office will be established in Seattle and a capability for execution of civil defense and defense mobilization functions will be ensured in Denver and in Boston.

f) The General Services Administration, because of its unique role in supporting, not the states, localities, or the general public, but rather Federal agencies themselves, will not be expected to make changes in its existing regional boundaries. GSA will, however, forthwith organize so that it will have the capability, for training, tests and in an emergency, to conform immediately in all respects with the OCDM regional pattern.

g) Puerto Rico and the Virgin Islands will be shifted to become included in OCDM Region 1, effective October 1, 1959.

h) There will be no public announcement or prior Congressional consultation concerning these changes.

i) The Director of the Office of Civil and Defense Mobilization will explore with the Chairman of the Federal Reserve Board the feasibility of adjusting Federal Reserve boundaries to conform to the agreed regional pattern.

ADDITIONAL ITEMS:

A. Administration Legislative Proposals With Respect to Agriculture

ACTION:

The President indicated that the Administration should now put before the Congress, in a positive way, a definite plan to deal with the problem of farm surpluses; he indicated his willingness to send an appropriate communication to Congress to obtain support for the Administration's farm recommendations. He suggested that members of the Cabinet give consideration to and furnish suggestions with respect to such a communication, and specifically to the possibility of recommending a maximum payment to any one producer under the farm price support program.

B. The "Food for Peace" Conference

Information item only.

Robert Gray
Secretary to the Cabinet

Approved by the President
May 22, 1959

BHP

Draft

CABINET PAPER—PRIVILEGED
Property of the White House—For Authorized Persons Only

RA - 59-131
May 4, 1959

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 1, 1959:

1. **Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation** CP - 59-96

ACTION:

a) The President approved Cabinet Paper 59-96, with the understanding that in its implementation, the Director of the Bureau of the Budget will look to the Secretary of Defense initially to draft the text of the proposed statute.

b) It was agreed that June 30, 1950, should be the cut-off date recommended, with September, 1939, a possible compromise if necessary.

c) The President made the suggestion that in addition to proposing the legislation recommended, steps should be taken, as appropriate, to indicate to the states that the imposition by them of heavy tax burdens on government contractors is likely to have disadvantageous results for those same states in terms of the location of new defense industries.

d) The President stressed the importance of proceeding with draft legislation to negate the mis-use of tax-free municipal bonds, as reported by the Secretary of the Treasury; it was agreed that consideration would be given to including this legislation in the above package.

e) The Secretary of the Treasury is to consult with the Chairmen of the appropriate Senate and House committees in order to bring to their attention the importance and urgency of the legislation being proposed.

2. **Monthly Status Report on Expenditure and Personnel Levels** /Charts/

ACTION:

The Cabinet noted the successful results which have come from the recent effort to reduce personnel by two percent from the level financed, as indicated by the likelihood that with a $9.5 billion increase in Federal spending from FY 1958 to FY 1959, there will be little if any increase in number of personnel.

CABINET PAPER
For Action

3. **Public Support of a Balanced Budget**

ACTION:

a) The President approved the following recommendations which were presented:

   i) That the recent and successful common effort to maximize public support for the President's budget be continued vigorously.

   ii) That this effort be extended to all Presidential appointees.

   iii) That the Secretary to the Cabinet continue to bring national associations into this effort, working with the above, for a peak of public response in early June.

b) The President approved Administration spokesmen's making public reminders that those who propose increases in Federal spending beyond the levels in the budget should also propose the revenue measures to cover the increased costs.

c) The Secretariat will circulate to the members of the Cabinet the 11-point statement of the Chairman of the House Appropriations Committee and also the recent public statement giving the facts with respect to the reductions and increases by Congress in the budgets of this Administration since 1953.

4. **Review of Progress Toward the Coordination of Agency Regional Boundaries**

ACTION:

OK - Hoegh

The President supported the agreements reached to date in the discussions which the Director of the Office of Civil and Defense Mobilization has undertaken with the agencies affected, namely:

a) The Office of Civil and Defense Mobilization has announced the establishment of a Regional Office near Seattle at Everett, Washington

b) The Departments of Interior, Commerce and Agriculture, which do not have regional structures as such, will designate staffs which will be prepared to carry on civil defense and defense mobilization functions in conformity with the agreed regional pattern.

c) The Housing and Home Finance Agency will make boundary adjustments, effective October 1, 1959, to conform to the agreed regional pattern; a capability to execute civil defense and defense mobilization functions will be established in Seattle, Denver and Boston.

~~a capability to execute CD & DM will be~~ functions

[illegible]

OK- Labor per Schwarz

d) The Bureau of Employment Security of the Department of Labor will conform its boundaries to the agreed eight-region~~XX~~ pattern, effective October 1, 1959. A capability to execute civil defense and defense mobilization functions will be established as necessary, including Denver and Boston.

OK- HEW

e) **The Department of Health, Education, and Welfare will adjust its nine regions to conform to the agreed regional pattern, effective October 1, 1959; ~~at a slightly increased cost,~~ an office will be established in Seattle and a capability for** executing **civil defense and defense mobilization functions** s **~~ing~~ will be ensured in Denver and in Boston.**

OK Floete

f) The General Services Administration, because of its unique role in supporting, not the states, localities or the general public, but rather Federal Agencies themselves, will not be expected to make changes in its existing regional boundaries. GSA will, however, forthwith organize so that it will have the capability, for training, tests and in an emergency, to conform immediately in all respects with the OCDM regional pattern.

g) **Puerto Rico and the Virgin Islands will be shifted to become included in** OCDM **Region 1 ~~[illegible]~~ effective October 1, 1959.**

h) **There will be no public announcement or prior Congressional consultation concerning these changes.**

i) **The Director of the Office of Civil and Defense Mobilization will explore with the Chairman of the Federal Reserve Board the feasibility of adjusting Federal Reserve boundaries to conform to the agreed regional pattern.**

ADDITIONAL ITEMS:

A. Administr

~~[illegible]~~

~~Additional Item A~~

The President indicated that the Administration ~~was placing~~ should now put before the Congress, ~~specific proposals~~ in a positive way a definite plan ~~of it at once~~ to deal with the problem of farm surpluses; ~~and~~ he indicated his willingness to send an appropriate communication to Congress to obtain support for the Administration's farm recommendations. He suggested that members of the Cabinet give consideration to and furnish suggestions with respect to such a communication, and specifically to the possibility of recommending a maximum payment to any one producer under the farm price support program.

THE WHITE HOUSE
WASHINGTON

May 1, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Report on the Coming Ministerial Conference on "Food for Peace"

The "Food for Peace" Conference among the seven wheat-exporting nations of the world will begin next Wednesday among the seven ministers of agriculture and the head of the Food and Agriculture Organization. A working-level conference has been going on this week and ended yesterday. Secretary Benson would like five minutes this morning to summarize the conclusions of the working conference and set the background for the ministerial meeting next week.

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

April 1, 1959

MEMORANDUM FOR THE PRESIDENT

Secretary Dillon (Acting Secretary of State) will be absent because of conferences with Mrs. Luce.

Bob
Robert Gray

THE WHITE HOUSE
WASHINGTON

April 30, 1959

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, May 1

The following are the items ready for scheduling on the Cabinet agenda for Friday, May 1:

1. Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation (Director Stans)

Recent Supreme Court decisions involving Michigan and Wisconsin statutes have established the principle that state and local governments may tax the "possession and use" of Federal property in the hands of private persons without impairing the Federal Government's sovereign immunity.

Since Federal contracts provide that taxes on the contractors are to be charged to the government, Defense's applicable $22.6 billion of real and personal property alone could bring the government an annual tax bill of $800 million. AEC and all the other government agencies' applicable property would be added to this, not to mention retroactive taxes. The states and municipalities are busy imposing taxes to reap this new harvest.

Legislation this session is needed, and a position has been developed which combines a status of partial immunity from such taxes with a reaffirmation of our 1956 position on payments in lieu of taxes.

A Cabinet paper has been prepared, approved by the agencies most concerned, and has been given general advance circulation.

2. Monthly Status Report on Expenditure and Personnel Levels (Director Stans)

This is a periodic item which shows exactly the rate of spending and hiring in the current fiscal year -- the best measurement and basis of projection for estimating the final year totals.

3. Public Support of a Balanced Budget (Mr. Harlow)

In the past three weeks concerted efforts have been made by several members of the White House staff to encourage individual citizens to contact their representatives in Congress in support of your budgetary program. Through the mailing lists of national associations, nearly 900,000 contacts have been made. Through advertisements, estimated potential contacts have been made to over 74,000,000 people. Mr. Harlow will make a brief presentation regarding what has been accomplished.

Library

4. Review of Progress Toward the Coordination of Agency Regional Boundaries (Governor Hoegh)

At Cabinet nearly a year ago (April, 1958) it was agreed that the regional boundaries of certain of the agencies which are important for civil defense and defense mobilization should be standardized -- the standardization to apply for both peacetime and emergency functions.

Implementation of this decision was deferred until fall; at which time, following the evaluation of OPERATION ALERT, 1958, it was reaffirmed by you on October 9.

Since that time, Director Hoegh has been trying to work out the actual boundary changes and the dates for change-over with the agencies chiefly concerned.

Labor, Housing and Home Finance, Health, Education, and Welfare, and General Services Administration have agreed to make changes satisfactorv to Governor Hoegh, although HHFA needs some additional funds to make the shift. There is only one real question remaining: whether or to what extent OCDM should move one of its regional offices from Denver to Kansas City.

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

April 29, 1959

MEMORANDUM

SUBJECT: Cabinet Agenda for Friday, May 1

The following are the items ready for scheduling on the Cabinet agenda for Friday, May 1:

30

1. Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation (Director Stans)

Recent Supreme Court decisions involving Michigan and Wisconsin statutes have established the principle that state and local governments may tax the "possession and use" of Federal property in the hands of private persons without impairing the Federal Government's sovereign immunity.

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Legislation this session is needed, and a position has been developed which combines a status of partial immunity from such taxes with a reaffirmation of our 1956 position on payments in lieu of taxes.

A Cabinet paper has been prepared, approved by the agencies most concerned, and has been given general advance circulation.

2. Monthly Status Report on Expenditure and Personnel Levels (Director Stans)

10 This is a periodic item which shows exactly the rate of spending and hiring in the current fiscal year -- the best measurement and basis of projection for estimating the final year totals.

15 3. Public Support of a Balanced Budget (Mr. Harlow)

This item was on the agenda last Friday but was deferred until the current meeting because of a shortage of time.

4. Review of Progress Toward the Coordination of Agency Regional Boundaries (Governor Hoegh)

15 This subject was previously scheduled for the Cabinet agenda but was deferred for further interdepartmental discussions. These discussions have recently been held. Governor Hoegh will be prepared to present the agreed compromise for the President's approval.

Robert Gray
Secretary to the Cabinet

ALTERNATIVES

- COMPLETE IMMUNITY
- PARTIAL IMMUNITY WITH SOME TAXATION
- PARTIAL IMMUNITY COMBINED WITH PAYMENTS "IN LIEU" OF TAXES

FEDERAL AID

	$ Billions
GRANTS-IN-AID ----------------------	$6.852
SHARED REVENUES -------------------	119
LOANS (NET) -----------------------	178
IMPACTED AREAS SCHOOL PAYMENTS ----	(172)
PAYMENTS "IN LIEU" ---------------	?
TOTAL - 1960 -----------	7.149

S-910 PAYMENTS IN LIEU

① CREATES FEDERAL BOARD

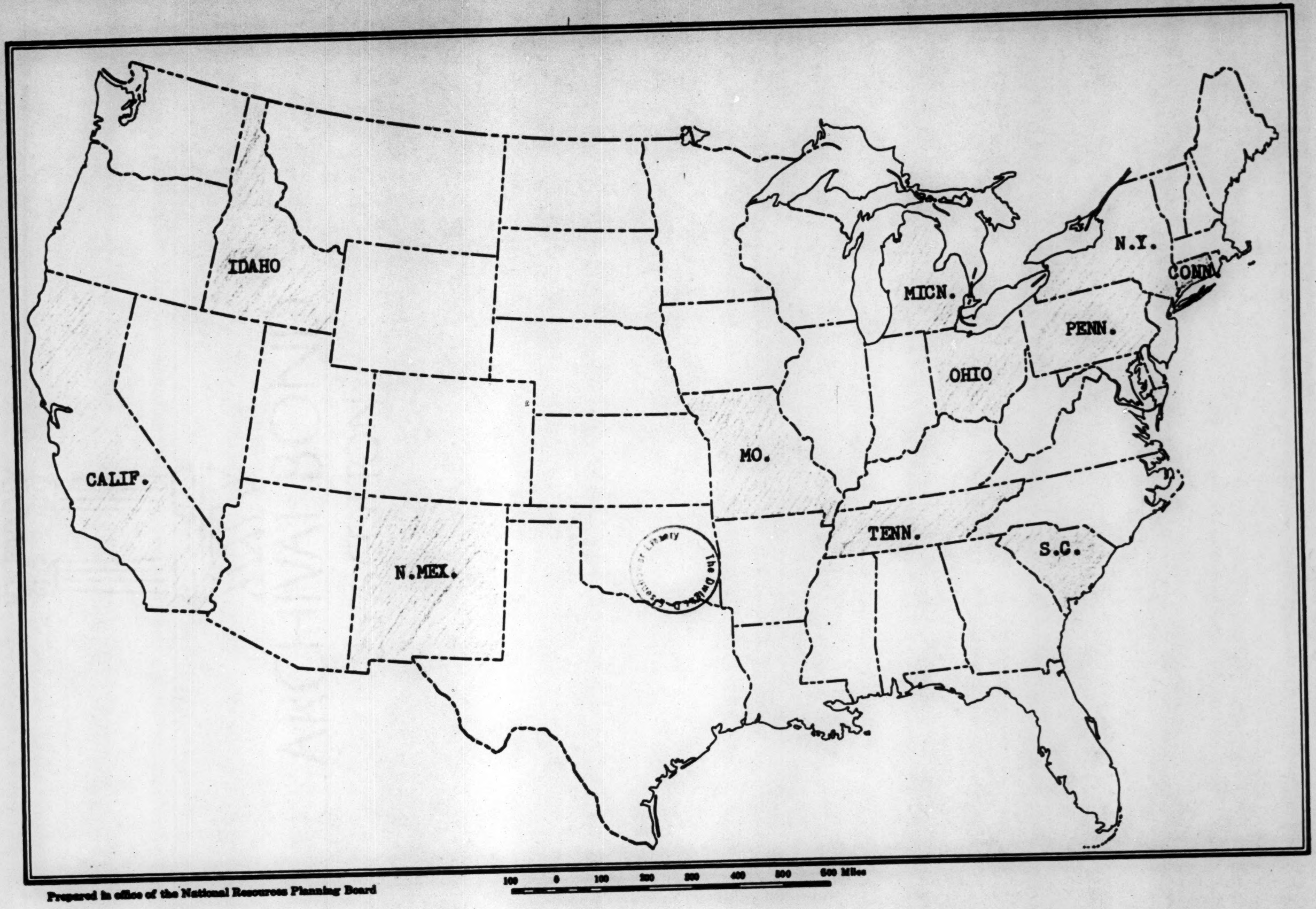
② TO CONSIDER INDIVIDUAL CASES

③ BASED ON "DEMONSTRABLE HARDSHIP"

④ CUT OFF DATE, JUNE 30, 1950

⑤ DEVELOP LONG RANGE POLICY

TAX CASES - $104 Million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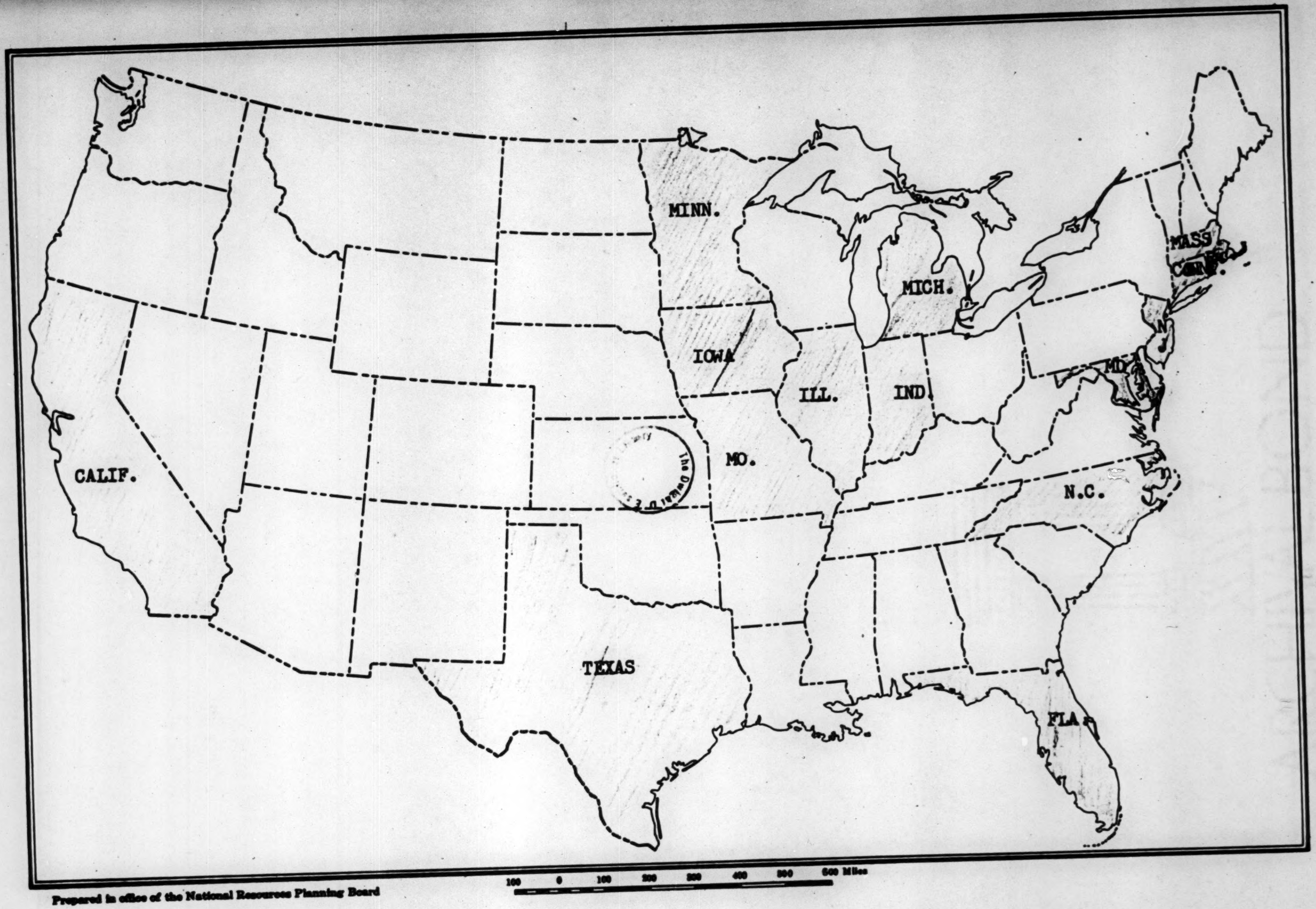
Prepared in office of the National Resources Planning Board

TAX CASES - $25 MILLION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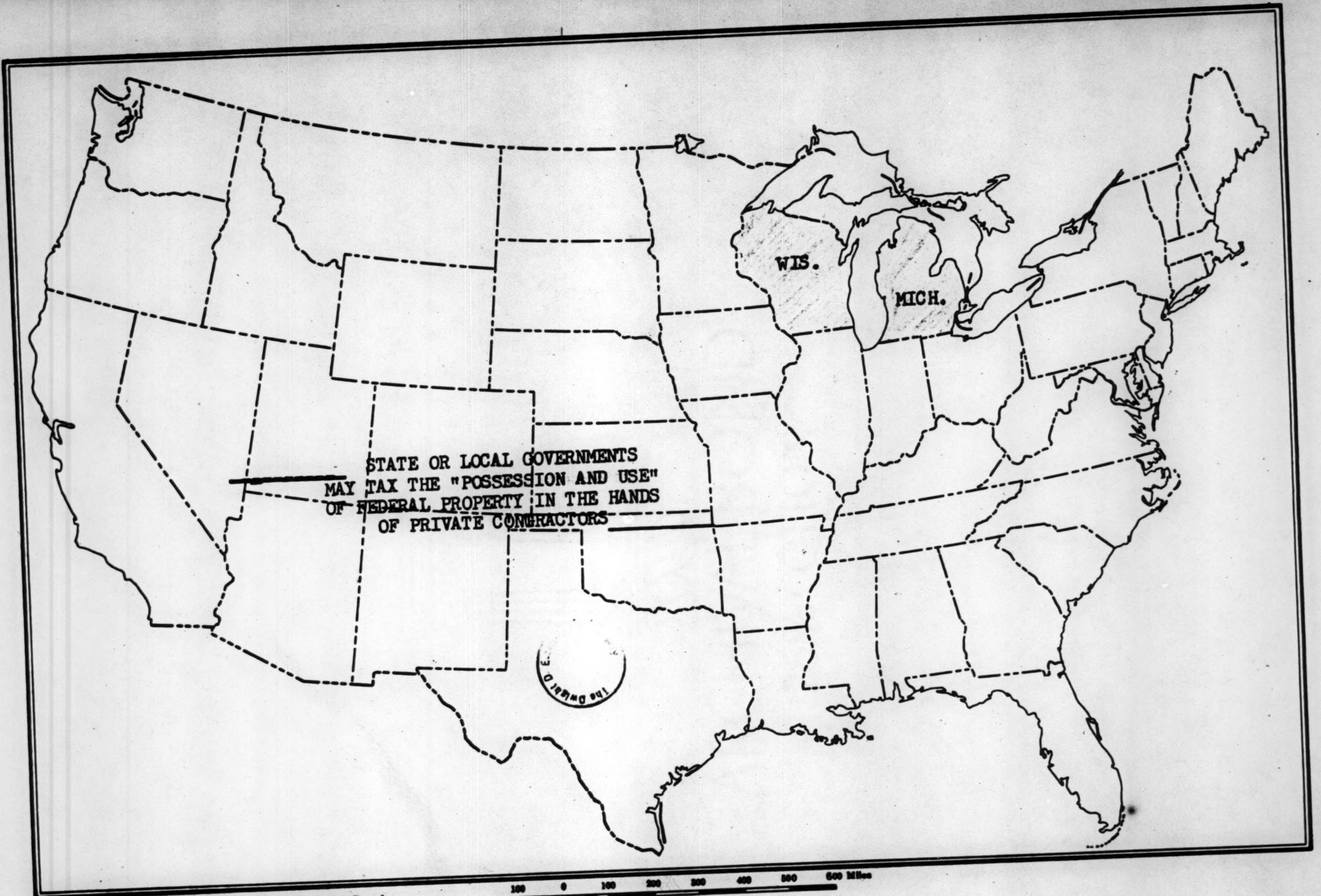
Prepared in office of the National Resources Planning Board

COURT DECISION


WIS.
MICH.
STATE OR LOCAL GOVERNMENTS
MAY TAX THE "POSSESSION AND USE"
OF FEDERAL PROPERTY IN THE HANDS
OF PRIVATE CONTRACTORS
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Prepared in office of the National Resources Planning Board

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only CP - 59-96

April 28, 1959

The White House

Washington

THE CABINET

Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget.

This paper, which is preceded by a Brief, sets forth the problems which face the Executive Branch as a result of the Supreme Court decisions on the above subject. The paper describes the legislative alternatives which are available and recommends adoption of one of them as an Administration proposal to be submitted at this session of the Congress.

The attached document bears the concurrences (as indicated) of the Departments most affected. In considering it, reference should be made to Cabinet Information Paper CI - 56-40 of April 3, 1956.

This paper is submitted for the concurrence of the Cabinet and the approval of the President.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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CP-59-96

April 28, 1959

THE WHITE HOUSE

Washington

THE CABINET

Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

BRIEF

Problem: Should the Administration seek legislative relief from recent Supreme Court decisions which sanction State and local taxation of the use and possession of Federal property in the hands of Government contractors and leaseholders?

Discussion: Recent Supreme Court decisions involving Michigan and Wisconsin statutes have established the principle that State or local governments may tax the possession and use of Federal property in the hands of private persons without impairing the Federal Government's sovereign immunity.

Contracts between the U. S. Government and contractors or leaseholders generally contain provision for the reimbursement to the contractors of these tax costs from the Federal Treasury.

Although it is impossible to predict with accuracy the total fiscal impact of the decisions, any projection turns on some basic data as to the amount of Government property in the hands of private contractors. Estimates by the Department of Defense and the Atomic Energy Commission have been developed.

The Defense Department has prepared a tentative analysis of the overall potential burden as reflected in the following figures:

The Department has $5.6 billion in real property and approximately $17 billion in personal property, or a total of $22.6 billion of property which might be subject to taxation. The Department estimates that the tax bill on real property based on an effective 2 per cent tax rate will total $112 million annually, and on personal property based on an effective tax rate of 4 per cent a total of $680 million, or nearly $800 million total annual liability.

The Atomic Energy Commission reports that there could be an approximate annual outlay for taxes of $307.2 million on land, structures, inventory and equipment.

Neither Defense nor AEC has estimated what the amount might be for prior year taxes. These retroactive taxes in some instances could be substantial.

CABINET PAPER

For Consideration

Currently, sizable tax bills are being presented to Government contractors. Defense advises that such demands have arisen in fifteen States, totaling $103.9 million. AEC has similar problems pending in eleven States, the present total of which is $25 million.

The National Federation of Tax Administrators reports that legislation is under study to make possible taxation of Federal contractors along the lines of the Michigan statute in twelve additional States presently without such authority.

Payments "in lieu" -- An allied issue: For many years it has been recognized that Federal immunity from taxes may, in some instances, cause hardship to specific States and local jurisdictions. Cases of hardship have been met in several ways such as Federal grants-in-aid, shared revenues, payments for construction and operation of schools in districts affected by heavy concentrations of Federal programs, and payments to local jurisdictions in lieu of taxes that would be imposed if certain properties were privately-owned.

Defense has no payment "in lieu" authority aside from those made for former RFC properties. This is in contrast to AEC which does have a generalized authority to make such payments.

For many years efforts have been made to develop a more stable general basis for making payments "in lieu" of taxes. In 1956 (CI 56-40), the Administration recommended legislation which would authorize payments "in lieu" of taxes on commercial and industrial real property acquired by the Federal Government after June 30, 1950, upon a showing by local government of "demonstrable hardship." The proposal also provided for study of the entire problem in order to develop a permanent policy covering such payments. The proposal was presented again by the President in his Budget Message for fiscal year 1958, but was not acted upon by the Congress. Identical legislation is now pending in this session of the Congress.

Legislative Alternatives:

1. Restoration of complete immunity.
2. Partial immunity with provision for taxation of Federal property in specified instances such as (a) real property leased for use by a private party in the conduct of non-governmental functions, and (b) personal property such as industrial tools and machinery owned by the United States but used for profit by a lessee or permittee on work not performed for the Federal Government.
3. Partial immunity, as above, combined with the Administration's present policy on payments "in lieu" of taxes.

Conclusions:

1. That due to the present weight and the possible future magnitude of the tax burden, legislative relief should be sought.
2. That legislation that seeks to provide complete immunity has virtually no chance of congressional approval.

3. That the choice of action, therefore, rests with legislative alternatives 2 and 3.
4. That because of the inherent relationships between the Supreme Court decisions and the Administration's payments "in lieu" policy, legislation combining the two would appear to have greater validity.

Recommendations: That legislative action be sought which would achieve partial immunity combined with the Administration proposal of 1956 for payments "in lieu" of taxes.

Implementation: That the Director, Bureau of the Budget, with the assistance of the agencies involved, prepare such a legislative proposal for submission to this session of the Congress.

Concurrences: The Department of Defense
The Department of Justice
The Atomic Energy Commission
The General Services Administration

CABINET PAPER—PRIVILEGED CP - 59-96
Property of the White House—For Authorized Persons Only April 28, 1959

The White House

Washington

THE CABINET

Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

Problem: Should the Administration seek legislative relief from recent Supreme Court decisions which sanction State and local taxation of the use and possession of Federal property in the hands of Government contractors and leaseholders?

Discussion: Last year the Supreme Court ruled in four cases that Government contractors and leaseholders were required to pay State and local taxes on the possession and use of Federal real and personal property in their custody even though the economic burden of these taxes fell upon the Federal Government. The Court did indicate, however, that the Congress might, within the scope of its authority, confer immunity by statute from such State and local taxation.

These decisions do not affect the traditional immunity of the Federal Government from State and local taxes on federally-owned property and in the possession of the Federal Government. The inventories of Federal property in possession of contractors and lessees are so costly, however, that the additional fiscal burden upon the Federal Government probably will become substantial. Estimates by principal agencies affected indicate that, if all States and local jurisdictions take full advantage of the decisions, the Government conceivably could reimburse contractors and leaseholders in amounts ranging from perhaps $500 million to $1 billion per year, plus very substantial amounts in back taxes. Tax bills similar to those now held to be valid by the Supreme Court are being submitted to contractors, and the Government will be required to make reimbursement as these taxes are paid.

The principal issue presented in this paper is the nature and extent of legislative relief to be sought.

A longstanding fundamental principle applying to legal relationships between a State and the Federal Government is that neither may, without consent, impose taxes upon the other which will hamper or restrict its essential governmental operations. In recent years, however, the Federal Government has turned more and more to contractors to carry on its major operating and research programs. Many States and local jurisdictions have contended that the Federal tax immunity should not be extended to such property and have attempted to impose various kinds of taxes. During the past two decades most of the pertinent decisions of the Supreme Court have shown a gradual trend toward restricting and limiting the application of Federal tax immunities in such instances, and the most recent decisions definitely further limit Federal immunity.

By 7-2 decisions in two cases, a Michigan tax on the use of federally-owned real property by a Government contractor in the first instance and by a lessee in the second, was held to be valid although the economic burden of the tax fell on the Federal Government. 1/ Ostensibly, the tax was imposed solely on the possession and use of the property and in other respects the tax was identical in result to a direct tax upon federally-owned property. The value of the possession for tax purposes was said to equal the value of the property itself. The tax was held valid regardless of whether the lessee was or was not producing supplies for the Federal Government.

By a 5-4 decision in another Michigan case, the possession of personal property was subjected to a similar tax liability. 2/ A Government subcontractor manufacturing airplane spare parts was required to pay a tax for possession and using the Government-owned materials and completed work in his custody, even though it was admitted that title to the property passed to the Federal Government upon receipt of partial payments for work performed. The subcontractor was, of course, reimbursed through the prime contractor by the Government for these tax payments. A few days later, in another personal property case, the Court, with four judges dissenting, upheld a decision of the Wisconsin Supreme Court to the effect that there had been no actual transfer of ownership to the United States of inventory in the contractor's plant even though it was granted that title had vested in the United States. 3/ A tax imposed by the city of Kenosha was held valid. The Solicitor General of the United States petitioned for a rehearing of these two cases involving personal property but the petition was denied by the Supreme Court.

Although it is impossible to predict with accuracy the total fiscal impact of these decisions, any projection turns on some basic data as to the value of Government property in the hands of private contractors.

The Defense Department has prepared a tentative analysis of the overall potential burden as reflected in the following figures:

The Department has $5.6 billion in real property and approximately $17 billion in personal property, or a total of $22.6 billion of property which might be subject to taxation. Defense estimates that the tax bill on real property, based on

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1/ Borg-Warner and Continental Motors cases (United States v. City of Detroit, 355 U.S. 466 and United States v. Township of Muskegon, et al, 355 U.S. 484).

2/ The Murray Case (City of Detroit v. The Murray Corporation; 355 U.S. 489).

3/ American Motors Corporation v. City of Kenosha (356 U.S. 21; 80 N.W. 2d 363).

an effective 2 percent tax rate, will total $112 million annually; on personal property, based on an effective tax rate of 4 percent, a total of $680 million, or nearly $800 million total annual liability.

The Atomic Energy Commission reports that there could be an approximate annual outlay for taxes of $307.2 million on land, structures, inventory and equipment. State and local sales and use taxes would impose an additional $90 million annually upon the agency.

Neither Defense nor AEC has estimated what the amount might be for prior year taxes. These retroactive taxes in some instances could be substantial.

Currently, sizable tax bills are being presented to Government contractors. Defense advises that such demands have arisen in fifteen States, totaling $103.9 million; AEC has similar problems pending in eleven States, the present total of which is $25 million.

The National Federation of Tax Administrators reports that legislation is under study to make possible taxation of Federal contractors along the lines of the Michigan statute in twelve additional States presently without such authority.

The effect of these decisions to date as reported by the Department of Defense is indicated in the data appearing below showing the known tax assessments affecting Defense contractors.

Circumstances have resulted in knowing more about the cost of personal property taxes in California than in any other State because, in 1953, certain counties began taxing Defense contractors in the air frame industry the value of inventory in their possession, title to which vested in the United States under contract provisions. In the years 1953-55, the personal property taxed was only that represented by the difference between the periodic billings submitted by the companies and the amount of progress payments paid to these companies. Since the progress payments averaged approximately 85 to 90 percent of the billings submitted, in those years the personal property taxed was consequently only 10 to 15 percent of the total inventory in the possession of the companies. Also, in those years no tax was assessed against machine tools, test equipment and other similar personal property owned by the Department of Defense but in the possession of its air frame contractors. For the tax years beginning 1956-1958, the California counties broadened the base of the property taxed by (1) including for the first time 100 percent of the value of all Government-owned inventory in the possession of the affected companies, and also (2) all machine tools, test equipment, jigs, dies and similar production equipment.

All affected companies were instructed by the Department of Defense to pay these taxes involuntarily, and in 1954 the Department of Defense instituted two suits designed to test the validity of those taxes, paid in the manner indicated. These suits, *Aerojet-General Corporation* v. *Los Angeles County* and *General Dynamics Corporation* v. *Los Angeles County*, eventually resulted in a ruling on October 24, 1958, by the Supreme Court of California that the taxes collected were illegal and invalid under both State law and the Federal Constitution. The decision rested on the declared failure of the California statutory authority to be expressed in language which was sufficiently explicit to justify California's taxing the possession of such personal property. Furthermore, although the test cases involved only 1953 assessments, the broadened theory of taxation employed by the counties in the period 1956-1958 as mentioned above was also before the court and also declared to be illegal under then existing California statutes.

As a consequence of these California decisions, a bill has been introduced in that State's legislature, described as an emergency measure, to fill the gap pointed out by their Court.

Defense estimates that the cost in tax dollars for the six years involved in Los Angeles and San Diego Counties alone would be $100 million, and that on a full basis of taxation of inventory of personal property in possession of the contractor the total burden would be $300 million.

Further examples follow: Cook County, Illinois, recently advised a contractor at a fairly small air facility of a tax of $1,800,000 for 1958 personal property tax assessment, where no personal property taxes have been paid before; Iowa has charged a contractor $613,091 for 1958; all Defense contractors in Maryland have been charged personal property taxes for the first time, and the bill submitted to the Martin Company is $1,260,000 - nearly 2,000 per cent increase over taxes previously paid for the contractor's own interest in the property.

Defense further states that many more such tax demands would have been made for the 1958 tax year if the U.S. Supreme Court cases had been decided earlier, since in many jurisdictions 1958 taxes had been assessed and actually billed before the decisions became known to local taxing officials.

It is the view of Defense that there is a definite urgency for drafting legislation which will legally preclude State and local taxation of a contractor's possession of Government-owned personal property. Accordingly, the Department would favor such statutory immunization combined with the Administration's payments "in lieu" of taxes proposal for real property with a cut-off date of September 8, 1939, rather than June 30, 1950. This latter change, it should be added, is based on the impact of the Federal Government since the beginning of World War II rather than the start of the Korean conflict. It would greatly increase the amount of Federal liability for such payments.

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The Commission at present is heavily involved in litigation and will be increasingly so involved in the absence of remedial legislation. For example, in Tennessee, the AEC is now in the State court to determine the applicability of State sales and use taxes to AEC property. The current suit involves approximately two and one-half years transactions (1955-57) and an alleged tax liability of over $4 million. In the matter of local taxes on real property, Roane and Anderson Counties have made claims. Roane County's calim for back years was disposed of in connection with a payment "in lieu" of taxes under the limited discretionary authority AEC has to make such payments. But, in the light of the pending legislation that is likely to be adopted in Tennessee, this solution with Roane County or with any other county where property of AEC is located, has no permanency. In Roane County alone, based on the tremendous government investment in plants, the tax liability could run anywhere from $5 to $10 million annually.

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In Idaho, certain counties have made demands for property taxes which can affect the large and expensive Government installations such as that at the National Reactor Testing Station in Butte County. These are under discussion by AEC field office personnel.

In Ohio, where AEC has very large installations operated for it by contractors such as Goodyear and National Lead, the agency enjoyed in the last few years the benefits of an administrative settlement that has avoided a claiming of sales and use taxes on AEC acquisitions. In the light of current activity this may be in jeopardy; and if the pending proposals now undergoing hearing before the State legislature are adopted, the gate will be open for local governmental . tax demands against the installations, equipment, and personal property, as in the other States.

In Michigan, AEC has protested, and it appears may have to litigate, a Detroit personal property tax laid on materials in the hands of a processor. In itself this is not a large tax bill, but one which may lead to considerably more and larger demands by other municipalities in Michigan.

In California AEC has had the same interest in the outcome of the possessory interest tax litigation and prospective legislation as the Defense Department, though in a far lesser amount; but the brunt of litigation so far has been carried by the Defense Department and AEC contractors have simply been protecting their rights by the making of payments of taxes under protest and subsequent filings.

The need, as AEC sees it, is for legislation which will clearly recognize the immunity of Federal property from State and local taxation but which will, at the same time, provide the States and local governments with some form of payments "in lieu" of taxes on the assumption that there ought to be some contribution to the cost of local government, though not necessarily an equal or identical form of contribution. The Commission favors expansion of the use of payments "in lieu" of taxes which it is presently privileged to make on real property to adjust the taxing problem with

State and local governments. The cut-off date of June 30, 1950, contained in the Administration's proposal, however, would preclude payments "in lieu" of taxes on such substantial installations as Oak Ridge, Hanford, and Los Alamos, since all of these were acquired by the Government prior to that date.

Payments "in lieu" -- An Allied Issue: For many years it has been recognized that Federal immunity from taxes may, in some instances, cause hardship to specific State and local jurisdictions. Cases of hardship have been met in several ways such as Federal grants-in-aid, shared revenues, payments for construction and operation of schools in districts affected by heavy concentrations of Federal programs, and payments to local jurisdictions "in lieu" of taxes that would be imposed if certain properties were privately-owned.

Defense has no payment "in lieu" authority aside from those made for former RFC properties. This is in contrast to AEC which does have a generalized authority to make such payments.

For more than twenty years efforts have been made to develop a more stable general basis for making payments "in lieu" of taxes. In 1956 (CI 56-40), the Administration recommended legislation which would authorize payments "in lieu" of taxes on commercial and industrial real property acquired by the Federal Government after June 30, 1950, upon a showing by local government of "demonstrable hardship." The proposal also provided for two year study of the entire problem in order to develop a permanent policy covering such payments. The proposal was presented again by the President in his Budget Message for fiscal year 1958, but was not acted upon by the Congress. Identical legislation is now pending in this session of the Congress.

Legislative Alternatives: The nature and extent of legislation to be sought is the principal issue requiring attention and action. Representatives of three agencies, the Departments of Defense and Justice, and the Atomic Energy Commission, were asked by the Bureau of the Budget to suggest possible courses of legislative action which might be proposed. Three alternatives have been suggested: (1) seek complete immunity in the types of situations covered by the decisions, (2) accept the economic burden in specific situations and seek immunity in other defined cases, or (3) seek general immunity except for specific types of property, as contemplated in alternative No. (2) and, in addition, institute a uniform system for making payments "in lieu" of taxes on Federal real property as contained in the Administration's proposal of 1956.

First Alternative - Complete Immunity

Immunity might be obtained by legislation providing that the Government and any person using or possessing Federal real or personal property shall be exempt from State and local taxation on the possession, use or ownership of such property. Such a provision might be similar to a section in the Atomic Energy Act of 1946 which expressly exempted the property, activities and income of the Atomic Energy Commission from taxation in any manner by State or local jurisdictions.[4] This language was repealed in 1953 for the stated reason that the Atomic Energy Commission should be on the same basis with respect to tax immunity as other Federal agencies.[5] Before the statute was repealed, however, the Supreme Court held that Congress had the right to provide for such immunity and that the language effectively prohibited taxation of a contractor's activities by a State or a local government because the contractor's activities were held to be the Commission's activities.[6]

Such legislation may not be desirable and it may not be practical to propose complete immunity. First, State and local taxing authorities question the validity of complete immunity stemming from the use of Government contractual arrangements. Second, it is doubtful that such a sweeping proposal would receive favorable consideration in Congress in view of the strong opposition it would generate. Third, a complete immunity from State and local property taxation might not be equitable in all instances.

Second Alternative - Partial Immunity

Legislation might be enacted which would confer immunity only in specified circumstances. For example, the Congress might establish immunity from taxation with respect to Federal real and personal property except (1) real property leased for use by a private party in the conduct of nongovernmental functions, and (2) personal property such as industrial tools and machinery owned by the United States but used for profit by a lessee or permittee on work not performed for the Federal Government.

Such partial immunity would reduce the Federal Government's tax liability and perhaps would encounter somewhat less resistance than legislation for complete immunity because taxes would be paid on Federal properties used for nongovernmental purposes and for private profit. The use of this procedure, therefore, would not obligate the Government to make tax reimbursements.

Third Alternative - Partial Immunity Combined with Administration's Payments "in lieu" of Taxes Policy

Legislation could be enacted which would assert tax immunity for federally-owned property except specific limited types of property, used by persons for profit on work not performed for the benefit of the Federal Government, and which would also authorize payments "in lieu" of taxes on a "demonstrable hardship" basis for Government-owned real property of a commercial or industrial nature and acquired after a certain cut-off date.

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[4] Section 9(b) of the Atomic Energy Act of 1946, 60 Stat. 765, 42 U.S.C. Section 1809 (b).

[5] P.L. 262, 83rd Congress, enacted August 13, 1953.

[6] Carson v. Roane-Anderson Co. (342 U.S. 232).

It is believed that the immunity of the Federal Government should be retained in order that its necessary legally authorized activities may be performed without undue interference. Instances of hardship in States and local communities can be relieved by means of a payments "in lieu" system without compromising the tax immunity of the Federal Government.

Conclusions: 1. That due to the present weight and the possible future magnitude of the tax burden, legislative relief should be sought.

2. That legislation that seeks to provide complete immunity has virtually no chance of congressional approval.

3. That the choice of action, therefore, rests with legislative alternatives 2 and 3.

4. That because of the inherent relationships between the Supreme Court decisions and the Administration's payments "in lieu" policy, legislation combining the two would appear to have greater validity.

Recommendations: That legislative action be sought which would achieve partial immunity combined with the Administration proposal of 1956 for payments "in lieu" of taxes.

Implementation: That the Director, Bureau of the Budget, with the assistance of the agencies involved, prepare such a legislative proposal for submission to this session of the Congress.

Concurrences:
The Department of Defense
The Department of Justice
The Atomic Energy Commission
The General Services Administration

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CABINET PAPER—PRIVILEGED CP - 59-96

Property of the White House—For Authorized Persons Only

May 22, 1959

The White House

Washington

THE CABINET

Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

The attached approved paper is circulated for action by the affected agencies, especially the Departments of Defense, Treasury and Justice, the Atomic Energy Commission and the General Services Administration, which will see to the implementation of this paper under the general coordination of the Bureau of the Budget.

This paper (which is preceded by a Brief) was approved by the President at the Cabinet meeting of May 1, 1959 (RA- 59-131, Item 1).

Action taken to implement the attached paper is to be in conformity with the President's decisions as set forth in the above-mentioned citation.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED CP - 59-96

Property of the White House—For Authorized Persons Only April 28, 1959

The White House

Washington

THE CABINET

Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget.

This paper, which is preceded by a Brief, sets forth the problems which face the Executive Branch as a result of the Supreme Court decisions on the above subject. The paper describes the legislative alternatives which are available and recommends adoption of one of them as an Administration proposal to be submitted at this session of the Congress.

The attached document bears the concurrences (as indicated) of the Departments most affected. In considering it, reference should be made to Cabinet Information Paper CI - 56-40 of April 3, 1956.

This paper is submitted for the concurrence of the Cabinet and the approval of the President.

Robert Gray
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CABINET PAPER

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THE WHITE HOUSE

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THE CABINET

Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

BRIEF

Problem: Should the Administration seek legislative relief from recent Supreme Court decisions which sanction State and local taxation of the use and possession of Federal property in the hands of Government contractors and leaseholders?

Discussion: Recent Supreme Court decisions involving Michigan and Wisconsin statutes have established the principle that State or local governments may tax the possession and use of Federal property in the hands of private persons without impairing the Federal Government's sovereign immunity.

Contracts between the U. S. Government and contractors or leaseholders generally contain provision for the reimbursement to the contractors of these tax costs from the Federal Treasury.

Although it is impossible to predict with accuracy the total fiscal impact of the decisions, any projection turns on some basic data as to the amount of Government property in the hands of private contractors. Estimates by the Department of Defense and the Atomic Energy Commission have been developed.

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The Defense Department has prepared a tentative analysis of the overall potential burden as reflected in the following figures:

The Department has $5.6 billion in real property and approximately $17 billion in personal property, or a total of $22.6 billion of property which might be subject to taxation. The Department estimates that the tax bill on real property based on an effective 2 per cent tax rate will total $112 million annually, and on personal property based on an effective tax rate of 4 per cent a total of $680 million, or nearly $800 million total annual liability.

The Atomic Energy Commission reports that there could be an approximate annual outlay for taxes of $307.2 million on land, structures, inventory and equipment.

Neither Defense nor AEC has estimated what the amount might be for prior year taxes. These retroactive taxes in some instances could be substantial.

Currently, sizable tax bills are being presented to Government contractors. Defense advises that such demands have arisen in fifteen States, totaling $103.9 million. AEC has similar problems pending in eleven States, the present total of which is $25 million.

The National Federation of Tax Administrators reports that legislation is under study to make possible taxation of Federal contractors along the lines of the Michigan statute in twelve additional States presently without such authority.

Payments "in lieu" -- An allied issue: For many years it has been recognized that Federal immunity from taxes may, in some instances, cause hardship to specific States and local jurisdictions. Cases of hardship have been met in several ways such as Federal grants-in-aid, shared revenues, payments for construction and operation of schools in districts affected by heavy concentrations of Federal programs, and payments to local jurisdictions in lieu of taxes that would be imposed if certain properties were privately-owned.

Defense has no payment "in lieu" authority aside from those made for former RFC properties. This is in contrast to AEC which does have a generalized authority to make such payments.

For many years efforts have been made to develop a more stable general basis for making payments "in lieu" of taxes. In 1956 (CI 56-40), the Administration recommended legislation which would authorize payments "in lieu" of taxes on commercial and industrial real property acquired by the Federal Government after June 30, 1950, upon a showing by local government of "demonstrable hardship." The proposal also provided for study of the entire problem in order to develop a permanent policy covering such payments. The proposal was presented again by the President in his Budget Message for fiscal year 1958, but was not acted upon by the Congress. Identical legislation is now pending in this session of the Congress.

Legislative Alternatives:

1. Restoration of complete immunity.
2. Partial immunity with provision for taxation of Federal property in specified instances such as (a) real property leased for use by a private party in the conduct of non-governmental functions, and (b) personal property such as industrial tools and machinery owned by the United States but used for profit by a lessee or permittee on work not performed for the Federal Government.
3. Partial immunity, as above, combined with the Administration's present policy on payments "in lieu" of taxes.

Conclusions:

1. That due to the present weight and the possible future magnitude of the tax burden, legislative relief should be sought.
2. That legislation that seeks to provide complete immunity has virtually no chance of congressional approval.

3. That the choice of action, therefore, rests with legislative alternatives 2 and 3.
4. That because of the inherent relationships between the Supreme Court decisions and the Administration's payments "in lieu" policy, legislation combining the two would appear to have greater validity.

Recommendations: That legislative action be sought which would achieve partial immunity combined with the Administration proposal of 1956 for payments "in lieu" of taxes.

Implementation: That the Director, Bureau of the Budget, with the assistance of the agencies involved, prepare such a legislative proposal for submission to this session of the Congress.

Concurrences: The Department of Defense
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Problem: Should the Administration seek legislative relief from recent Supreme Court decisions which sanction State and local taxation of the use and possession of Federal property in the hands of Government contractors and leaseholders?

Discussion: Last year the Supreme Court ruled in four cases that Government contractors and leaseholders were required to pay State and local taxes on the possession and use of Federal real and personal property in their custody even though the economic burden of these taxes fell upon the Federal Government. The Court did indicate, however, that the Congress might, within the scope of its authority, confer immunity by statute from such State and local taxation.

These decisions do not affect the traditional immunity of the Federal Government from State and local taxes on federally-owned property and in the possession of the Federal Government. The inventories of Federal property in possession of contractors and lessees are so costly, however, that the additional fiscal burden upon the Federal Government probably will become substantial. Estimates by principal agencies affected indicate that, if all States and local jurisdictions take full advantage of the decisions, the Government conceivably could reimburse contractors and leaseholders in amounts ranging from perhaps $500 million to $1 billion per year, plus very substantial amounts in back taxes. Tax bills similar to those now held to be valid by the Supreme Court are being submitted to contractors, and the Government will be required to make reimbursement as these taxes are paid.

The principal issue presented in this paper is the nature and extent of legislative relief to be sought.

A longstanding fundamental principle applying to legal relationships between a State and the Federal Government is that neither may, without consent, impose taxes upon the other which will hamper or restrict its essential governmental operations. In recent years, however, the Federal Government has turned more and more to contractors to carry on its major operating and research programs. Many States and local jurisdictions have contended that the Federal tax immunity should not be extended to such property and have attempted to impose various kinds of taxes. During the past two decades most of the pertinent decisions of the Supreme Court have shown a gradual trend toward restricting and limiting the application of Federal tax immunities in such instances, and the most recent decisions definitely further limit Federal immunity.

By 7-2 decisions in two cases, a Michigan tax on the use of federally-owned real property by a Government contractor in the first instance and by a lessee in the second, was held to be valid although the economic burden of the tax fell on the Federal Government. 1/ Ostensibly, the tax was imposed solely on the possession and use of the property and in other respects the tax was identical in result to a direct tax upon federally-owned property. The value of the possession for tax purposes was said to equal the value of the property itself. The tax was held valid regardless of whether the lessee was or was not producing supplies for the Federal Government.

By a 5-4 decision in another Michigan case, the possession of personal property was subjected to a similar tax liability. 2/ A Government subcontractor manufacturing airplane spare parts was required to pay a tax for possession and using the Government-owned materials and completed work in his custody, even though it was admitted that title to the property passed to the Federal Government upon receipt of partial payments for work performed. The subcontractor was, of course, reimbursed through the prime contractor by the Government for these tax payments. A few days later, in another personal property case, the Court, with four judges dissenting, upheld a decision of the Wisconsin Supreme Court to the effect that there had been no actual transfer of ownership to the United States of inventory in the contractor's plant even though it was granted that title had vested in the United States. 3/ A tax imposed by the city of Kenosha was held valid. The Solicitor General of the United States petitioned for a rehearing of these two cases involving personal property but the petition was denied by the Supreme Court.

Although it is impossible to predict with accuracy the total fiscal impact of these decisions, any projection turns on some basic data as to the value of Government property in the hands of private contractors.

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2/ The Murray Case (City of Detroit v. The Murray Corporation; 355 U.S. 489).

3/ American Motors Corporation v. City of Kenosha (356 U.S. 21; 80 N.W. 2d 363).

an effective 2 percent tax rate, will total $112 million annually; on personal property, based on an effective tax rate of 4 percent, a total of $680 million, or nearly $800 million total annual liability.

The Atomic Energy Commission reports that there could be an approximate annual outlay for taxes of $307.2 million on land, structures, inventory and equipment. State and local sales and use taxes would impose an additional $90 million annually upon the agency.

Neither Defense nor AEC has estimated what the amount might be for prior year taxes. These retroactive taxes in some instances could be substantial.

Currently, sizable tax bills are being presented to Government contractors. Defense advises that such demands have arisen in fifteen States, totaling $103.9 million; AEC has similar problems pending in eleven States, the present total of which is $25 million.

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In Connecticut, where the immediate threat of sales and use taxes has been forestalled by successful Government litigation, certain municipalities have made demands with respect to AEC installations. In particular the town of Middletown has made a $10 million assessment upon the Connecticut Aircraft Nuclear Engineering Laboratory (CANEL) owned by the Air Force and operated by the Commission through United Aircraft.

In Idaho, certain counties have made demands for property taxes which can affect the large and expensive Government installations such as that at the National Reactor Testing Station in Butte County. These are under discussion by AEC field office personnel.

In Ohio, where AEC has very large installations operated for it by contractors such as Goodyear and National Lead, the agency enjoyed in the last few years the benefits of an administrative settlement that has avoided a claiming of sales and use taxes on AEC acquisitions. In the light of current activity this may be in jeopardy; and if the pending proposals now undergoing hearing before the State legislature are adopted, the gate will be open for local governmental . tax demands against the installations, equipment, and personal property, as in the other States.

In Michigan, AEC has protested, and it appears may have to litigate, a Detroit personal property tax laid on materials in the hands of a processor. In itself this is not a large tax bill, but one which may lead to considerably more and larger demands by other municipalities in Michigan.

In California AEC has had the same interest in the outcome of the possessory interest tax litigation and prospective legislation as the Defense Department, though in a far lesser amount; but the brunt of litigation so far has been carried by the Defense Department and AEC contractors have simply been protecting their rights by the making of payments of taxes under protest and subsequent filings.

The need, as AEC sees it, is for legislation which will clearly recognize the immunity of Federal property from State and local taxation but which will, at the same time, provide the States and local governments with some form of payments "in lieu" of taxes on the assumption that there ought to be some contribution to the cost of local government, though not necessarily an equal or identical form of contribution. The Commission favors expansion of the use of payments "in lieu" of taxes which it is presently privileged to make on real property to adjust the taxing problem with

State and local governments. The cut-off date of June 30, 1950, contained in the Administration's proposal, however, would preclude payments "in lieu" of taxes on such substantial installations as Oak Ridge, Hanford, and Los Alamos, since all of these were acquired by the Government prior to that date.

Payments "in lieu" -- An Allied Issue: For many years it has been recognized that Federal immunity from taxes may, in some instances, cause hardship to specific State and local jurisdictions. Cases of hardship have been met in several ways such as Federal grants-in-aid, shared revenues, payments for construction and operation of schools in districts affected by heavy concentrations of Federal programs, and payments to local jurisdictions "in lieu" of taxes that would be imposed if certain properties were privately-owned.

Defense has no payment "in lieu" authority aside from those made for former RFC properties. This is in contrast to AEC which does have a generalized authority to make such payments.

For more than twenty years efforts have been made to develop a more stable general basis for making payments "in lieu" of taxes. In 1956 (CI 56-40), the Administration recommended legislation which would authorize payments "in lieu" of taxes on commercial and industrial real property acquired by the Federal Government after June 30, 1950, upon a showing by local government of "demonstrable hardship." The proposal also provided for two year study of the entire problem in order to develop a permanent policy covering such payments. The proposal was presented again by the President in his Budget Message for fiscal year 1958, but was not acted upon by the Congress. Identical legislation is now pending in this session of the Congress.

Legislative Alternatives: The nature and extent of legislation to be sought is the principal issue requiring attention and action. Representatives of three agencies, the Departments of Defense and Justice, and the Atomic Energy Commission, were asked by the Bureau of the Budget to suggest possible courses of legislative action which might be proposed. Three alternatives have been suggested: (1) seek complete immunity in the types of situations covered by the decisions, (2) accept the economic burden in specific situations and seek immunity in other defined cases, or (3) seek general immunity except for specific types of property, as contemplated in alternative No. (2) and, in addition, institute a uniform system for making payments "in lieu" of taxes on Federal real property as contained in the Administration's proposal of 1956.

First Alternative - Complete Immunity

Immunity might be obtained by legislation providing that the Government and any person using or possessing Federal real or personal property shall be exempt from State and local taxation on the possession, use or ownership of such property. Such a provision might be similar to a section in the Atomic Energy Act of 1946 which expressly exempted the property, activities and income of the Atomic Energy Commission from taxation in any manner by State or local jurisdictions. 4/ This language was repealed in 1953 for the stated reason that the Atomic Energy Commission should be on the same basis with respect to tax immunity as other Federal agencies. 5/ Before the statute was repealed, however, the Supreme Court held that Congress had the right to provide for such immunity and that the language effectively prohibited taxation of a contractor's activities by a State or a local government because the contractor's activities were held to be the Commission's activities. 6/

Such legislation may not be desirable and it may not be practical to propose complete immunity. First, State and local taxing authorities question the validity of complete immunity stemming from the use of Government contractual arrangements. Second, it is doubtful that such a sweeping proposal would receive favorable consideration in Congress in view of the strong opposition it would generate. Third, a complete immunity from State and local property taxation might not be equitable in all instances.

Second Alternative - Partial Immunity

Legislation might be enacted which would confer immunity only in specified circumstances. For example, the Congress might establish immunity from taxation with respect to Federal real and personal property except (1) real property leased for use by a private party in the conduct of nongovernmental functions, and (2) personal property such as industrial tools and machinery owned by the United States but used for profit by a lessee or permittee on work not performed for the Federal Government.

Such partial immunity would reduce the Federal Government's tax liability and perhaps would encounter somewhat less resistance than legislation for complete immunity because taxes would be paid on Federal properties used for nongovernmental purposes and for private profit. The use of this procedure, therefore, would not obligate the Government to make tax reimbursements.

Third Alternative - Partial Immunity Combined with Administration's Payments "in lieu" of Taxes Policy

Legislation could be enacted which would assert tax immunity for federally-owned property except specific limited types of property, used by persons for profit on work not performed for the benefit of the Federal Government, and which would also authorize payments "in lieu" of taxes on a "demonstrable hardship" basis for Government-owned real property of a commercial or industrial nature and acquired after a certain cut-off date.

4/ Section 9(b) of the Atomic Energy Act of 1946, 60 Stat. 765, 42 U.S.C. Section 1809 (b).

5/ P.L. 262, 83rd Congress, enacted August 13, 1953.

6/ Carson v. Roane-Anderson Co. (342 U.S. 232).

It is believed that the immunity of the Federal Government should be retained in order that its necessary legally authorized activities may be performed without undue interference. Instances of hardship in States and local communities can be relieved by means of a payments "in lieu" system without compromising the tax immunity of the Federal Government.

Conclusions: 1. That due to the present weight and the possible future magnitude of the tax burden, legislative relief should be sought.

2. That legislation that seeks to provide complete immunity has virtually no chance of congressional approval.

3. That the choice of action, therefore, rests with legislative alternatives 2 and 3.

4. That because of the inherent relationships between the Supreme Court decisions and the Administration's payments "in lieu" policy, legislation combining the two would appear to have greater validity.

Recommendations: That legislative action be sought which would achieve partial immunity combined with the Administration proposal of 1956 for payments "in lieu" of taxes.

Implementation: That the Director, Bureau of the Budget, with the assistance of the agencies involved, prepare such a legislative proposal for submission to this session of the Congress.

Concurrences: The Department of Defense
The Department of Justice
The Atomic Energy Commission
The General Services Administration

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CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CI - 56-40

April 3, 1956

The White House

Washington

THE CABINET

Administration Policy Concerning Payments in Lieu of Taxes to Local Governments

For information of the Cabinet, attached is a paper on the above subject prepared by the Director of the Bureau of the Budget in collaboration with the Honorable Meyer Kestnbaum, Special Assistant to the President.

The attached paper sets forth a policy statement on the above subject which is based upon the general approval recently given by the President to a program of this nature (see Attachment A).

Legislation on this subject is now pending before both Houses of Congress. It is expected that Administration officials will be called upon shortly to testify on these bills which, unless properly delimited, could create a Federal fiscal obligation of several hundreds of millions of dollars annually.

The Bureau of the Budget is currently coordinating the presentation of Administration policy on this matter, to ensure that the affirmative approach and the suitable safeguards desired by the President are included.

The attached paper is circulated as background for the presentation of this subject at the coming Cabinet Meeting by the Honorable Meyer Kestnbaum, Special Assistant to the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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CI - 56-40

April 3, 1956

THE CABINET

Payments in Lieu of Taxes to Local Governments

Background: Local governments have been urging legislation -- especially in recent years -- to inaugurate a broad system of payments in lieu of property taxes and consent to special assessments on certain types of Federal properties. They contend that the Federal Government, directly or through contractors, takes much valuable real estate and personal property off their property tax rolls, thereby reducing their financial resources; and that in other cases the Federal installation increases the need for local government services without increasing the taxable base. Thousands of properties in hundreds of communities would be affected.

In 1953, in vetoing piecemeal legislation to pay a special assessment on Lowry Air Force Base, the President announced that the Commission on Intergovernmental Relations would be asked to recommend whether the Federal Government should adopt comprehensive legislation to deal with this problem. Subsequently assurance was given to the Congressional committees that an Administration position would be crystallized soon after the Commission made its report. The Commission, reporting last June, recommended "a broad system of payments in lieu of property taxes."

More than a dozen payment-in-lieu bills are pending in Congress, and hearings are planned soon before Senate and House Committees. Accordingly, it has become urgent to state the Administration's position.

Policy: The Special Assistant to the President, Mr. Kestnbaum, has advised the Director of the Bureau of the Budget[1] that Administration policy, including safeguards desired by the President, will comprise the following essential points:

1. The Administration would agree to comprehensive permanent legislation authorizing a Government-wide policy of payments in lieu of State and local property taxes on account of Federal property actually taken off the tax rolls through Government acquisition after July 1, 1950, and in the future.

2. Payments should be limited, insofar as possible, to industrial and commercial real estate. Authority may also be included for restricted payments on Government-owned machinery and business inventories (other than finished products) of types commonly taxed in private ownership.

3. The legislation should be designed to offset real hardship upon local communities while protecting the Government against unreasonable claims on the part of taxing bodies. The Government would try to avoid burdening local taxpayers with costs that should properly be borne by the Federal taxpayers. Government agencies seeking to locate new establishments should take into account the local benefits which flow from such establishments in determining payments to be made in lieu of taxes; where too many difficulties are interposed, some other location should be selected.

[1] Transmittal Memorandum from Mr. Kestnbaum reproduced as Attachment A.

CABINET PAPER

For Information

4. Where payments are made in connection with improvements added by the Government, these should be related to the taxes that would be paid upon normal industrial development of the property in the particular locality or in a comparable community, and not necessarily based on the value of the disproportionately expensive type of installation which the Government frequently finds necessary for its special purposes.

5. Legislation should not establish a fixed formula for determining individual payments. It might identify factors to be considered by the property-owning agencies in working out payments that would be equitable in specific circumstances.

6. Legislation should not provide for any judicial review of agency determinations. Those provisions of pending bills which provide for a central board to establish uniform rules, regulations, interpretations, and policies, and to handle administrative appeals by local governments from the decisions of owning agencies, may be generally accepted.

7. In all cases, the Government should be accorded at least as favorable treatment as is given private taxable property and owners.

8. Legislation may authorize temporary payments on selected sizable acquisitions of property for Government uses other than industrial and commercial, in cases where the sudden removal of a significant part of the tax base would create transitional hardships for the local governments. Any such payments should be on a declining scale, dropping to zero within 10 years.

9. Legislation may include consent to actual nondiscriminatory taxation of the Government's equity in property which is leased or conditionally sold to a taxable person and in his possession or use.

10. Legislation may include consent to nondiscriminatory levies of special assessments on Federal properties in urban areas, but only if non-Federal property is included in the particular improvement district.

11. All payments should be financed from appropriations made to the individual property-owning agencies.

12. Although none of the pending bills at present meets all these criteria, several of the major bills might be modified appropriately. These include S. 1657 (Bush), S. 2390 (Knowland), S. 1566 (Humphrey, Kuchel, and Goldwater), H. R. 342 (McDonough), H. R. 2408 (Hyde), H. R. 4883 (Engle), H. R. 7098 (Wilson of California), and H. R. 9336 (Mrs. Griffiths).

Budgetary implications: In the preparation of the Budget for 1957 it was assumed that payment-in-lieu legislation would be enacted which, because of the time-lag in identifying properties and computing individual payments, would have only a nominal effect on expenditures during the fiscal year. Preparation of reliable cost estimates for such legislation is extremely difficult, since it is subject to many variables in terms of local tax practices, the specific language of the bills, and the characteristics of the Federal properties. Previous rough estimates for some of the pending bills have indicated Federal payments ranging from $205 to $250 million a year, based on property holdings in 1953. A substantially lower cost to the Federal Government should result from the policy recommendations outlined above — and particularly the use of a date in 1950 rather than 1939 to determine what properties should be subject to payments in lieu of taxes.

With these guidelines, it is expected that the Bureau of the Budget, working with the agencies principally affected, can now develop better cost estimates.

Implementation: The foregoing outline will guide the Executive Branch agencies in preparing legislative reports and testimony on pending bills, and will guide the Bureau of the Budget in its assigned duties.

ATTACHMENT A

THE WHITE HOUSE
Washington

March 29, 1956

MEMORANDUM FOR HONORABLE ROWLAND R. HUGHES
Director, Bureau of the Budget

Subject: Policy Statement Relating to Payments in Lieu of Taxes

One of the important recommendations made by the Commission on Intergovernmental Relations is that the "National Government inaugurate a broad system of payments in lieu of taxes to State and local governments."

I had an opportunity recently to submit to the President a memorandum outlining suggestions for Administration policy on this point. The President indicated his approval of such a program, provided it is surrounded with suitable safeguards. The attached memorandum sets forth the essential elements of such a program.

I am hopeful that the attached memorandum will be useful to the Bureau of the Budget in dealing with reports to the Congress on legislation. I suggest also that it would be appropriate for the Bureau of the Budget to prepare an information paper on this subject for distribution to Members of the Cabinet.

(Signed) Meyer Kestnbaum
Meyer Kestnbaum
Special Assistant to the President

May 5, 1959

Brad:

I am attaching a copy of the paper that was prepared for Governor Hoegh's Regional Boundaries presentation.

While he did not use this, in going over his handwritten notes, I find it is about as close as we can come. If this checks with your memory, we will retype a clean version.

Emil

Brad Patterson

TOOK MID-BOUNDARIES ON HEW

5/1/59

REGIONAL BOUNDARIES

FOLLOWING THE CABINET RECORD OF ACTION OF OCTOBER 25, 1958, IN WHICH WAS CITED A REAFFIRMATION OF EARLIER DECISIONS CONCERNING THE COORDINATED REGIONAL BOUNDARIES OF SEVERAL FEDERAL AGENCIES, I HAVE HELD A NUMBER OF DISCUSSIONS WITH THE MEMBERS OF THE DEPARTMENTS OF HEALTH, EDUCATION AND WELFARE, AND LABOR, THE HOUSING AND HOME FINANCE AGENCY, AND THE GENERAL SERVICES ADMINISTRATION, AS WELL AS WITH MEMBERS OF THE BUREAU OF THE BUDGET AND THE WHITE HOUSE STAFF.

IN ACCORDANCE WITH THE ORIGINAL CABINET PAPER WHICH DATES BACK TO APRIL 15TH OF LAST YEAR, THESE ACTIONS HAVE BEEN TAKEN:

1. THE OFFICE OF DEFENSE MOBILIZATION AND THE FEDERAL CIVIL DEFENSE ADMINISTRATION REGIONAL LINES HAVE BEEN ADJUSTED THROUGH THE MERGER OF THE TWO ORGANIZATIONS AND WE HAVE ESTABLISHED A REGION EIGHT, TO SERVE ALASKA, WASHINGTON, OREGON, IDAHO AND MONTANA. THIS IS LOCATED AT EVERETT, WASHINGTON. THE OCDM BOUNDARIES ARE IDENTICAL WITH THOSE IN THE ORIGINAL CABINET PAPER.

2. THE DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE, AND HOUSING AND HOME FINANCE AGENCY ARE PREPARED TO ALIGN THEIR REGIONAL BOUNDARIES BY OCTOBER 1, 1959. [~~THESE TWO DEPARTMENTS~~ AND ~~HHFA~~] THEY WILL ESTABLISH REGIONAL BOUNDARIES CONSISTENT WITH THE OCDM REGIONS BOTH FOR CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS AND FOR THE PERFORMANCE OF THEIR DAY-TO-DAY ACTIVITIES. THE DEPARTMENT OF LABOR WOULD LIKE TO CONTINUE TO HANDLE PUERTO RICO AND THE VIRGIN ISLANDS AFFAIRS FROM REGION ONE. THIS IS ACCEPTABLE TO THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND TO THE OFFICE OF CIVIL AND DEFENSE MOBILIZATION, AND BOTH [THEY] WILL CHANGE TO CONFORM IN THIS RESPECT.

3. THE GENERAL SERVICES ADMINISTRATION CAN PROVIDE [~~THEIR~~] ITS SERVICES IN SUPPORT OF CIVIL AND DEFENSE MOBILIZATION OPERATIONS FROM THEIR EXISTING REGIONS AND NO CHANGE ~~FROM THEIR~~ FOR PEACETIME ~~BASIS~~ PURPOSES IS REQUIRED. THE ADMINISTRATOR HAS ASSURED ME THAT GSA WILL PROVIDE SUPPORT FOR THE EMERGENCY ACTIVITIES OF THE GOVERNMENT IN A MANNER CONSISTENT WITH THE PROPOSED ALIGNMENT OF FEDERAL AGENCY REGIONS.

THE CHANGES INVOLVED IN THIS PROPOSAL ARE AS SHOWN IN THE EXHIBIT.

4. THE DEPARTMENTS OF THE INTERIOR, AGRICULTURE, AND COMMERCE, WHICH HAVE MAJOR RESPONSIBILITIES FOR CIVIL DEFENSE AND DEFENSE MOBILIZATION, HAVE DESIGNATED STAFF TO PERFORM CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS IN CONFORMANCE WITH THE EIGHT-REGION PATTERN.

5. THE DEPARTMENT OF LABOR CAN ABSORB THE COSTS OF ITS CHANGES WITHIN THE NORMAL BUDGET. FUNDS WILL HAVE TO BE MADE AVAILABLE FOR THE CHANGES IN THE REGIONS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, AND THE HOUSING AND HOME FINANCE AGENCY. ~~IN THE CASE OF D/HEW $~~ prob 600,000 WILL BE REQUIRED, OF WHICH $__________ ~~WILL BE NON-~~RECURRING. THE HHFA COST IS ESTIMATED AT $200.000.

prob 600,000

~~700,000 recurring~~

I RECOMMEND THAT THIS ~~INTERIM~~ ACTION BE APPROVED, TO BECOME EFFECTIVE OCTOBER 1, 1959 AND THAT PUBLIC ANNOUNCEMENT BE MADE BY MID-SEPTEMBER BUT NOT SOONER. ~~I FURTHER~~ RECOMMEND THAT THIS ACTION BE OBSERVED CLOSELY THROUGH THE COURSE OF THE NEXT YEAR TO FURTHER DETERMINE ITS ACCEPTABILITY FROM BOTH THE STANDPOINT OF EMERGENCY OPERATIONS AND DAY TO DAY ADMINISTRATION.

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CP - 59-79/1

June 1, 1959

The White House

Washington

THE CABINET

Coordinated Regional Boundaries for Civil Defense and Defense Mobilization

The attached approved paper is circulated for the action of the Departments and Agencies named or affected herein; implementation is to be under the coordination of the Director of the Office of Civil and Defense Mobilization.

The contents of this paper and its attachment have received the approval of the President at the Cabinet meetings of March 25, 1955 (RA - 17, Item 5); August 23, 1957 (RA - 57-83, Item 4); April 25, 1958 (RA - 58-103, Item 3); October 8, 1958 (RA - 58-118, Item 1(a)ii); and May 1, 1959 (RA - 59-131, Item 4).

Attention should be called as necessary to subparagraph 4(h) of RA - 59-131.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

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CP - 58-79/1

June 1, 1959

The White House

Washington

THE CABINET

Coordinated Regional Boundaries for Civil Defense and Defense Mobilization

Problem: Should coordinated regional boundaries be established for agencies having major responsibilities for civil defense and defense mobilization? If so, (1) is the proposed eight-region pattern appropriate? (2) at what time should affected agencies put into operation the coordinated regional pattern?

Discussion: At the Cabinet meeting on August 23, 1957, the President requested the Director of the Office of Defense Mobilization to work with the Director of the Bureau of the Budget in an endeavor to recommend revised Federal agency regional boundaries which are more consistent with the needs of mobilization planning.

Representatives of the Office of Civil and Defense Mobilization and the Bureau have explored the issues and problems involved with representatives of the Department of Defense and the principal delegate agencies of OCDM. The advantages of coordinated boundaries for the agencies having civil defense and defense mobilization activities are widely recognized by representatives of these agencies. They also recognize that these advantages can be realized only if regional boundaries are realigned before an emergency arises.

The Directors of OCDM and the Bureau agree, with the concurrence of Defense, that the boundaries of Army Command Areas should be coordinated with the regional boundaries of civilian agencies, since the Army Commands have the field responsibility for civil defense planning in the Department of Defense and for coordinating the use of military resources that are available to support civil authorities in the event of domestic emergencies.

In arriving at the recommended pattern for regional boundaries (see attachment) the Bureau of the Budget and the OCDM have had to take account of the conflicting views of civilian agencies which favor fewer than eight regions and those which favor a larger number. It has also been necessary to weigh the relative merits of adjusting the boundaries of Army Command Areas or the boundaries of civilian agencies. Consideration has likewise been given to the long-range suitability of the proposed plan for all agencies involved, and to the government-wide cost of adjusting to the recommended pattern and financing it in succeeding years. The recommended plan maintains the boundaries of the six Army Areas and provides for a maximum of eight regions for civilian agencies, coordinated with the Army pattern. Where an Army Command Area is split for civilian agencies the Command would make staff arrangements to cover the two regions.

No unit in the configuration is smaller than a state -- i.e., states are not sub-divided.

The recommended pattern is supported by the Bureau of the Budget, OCDM and the Department of Defense.

The Departments of Interior, Commerce and Agriculture, which do not have regional structures as such, have indicated that they are able to designate staffs which will be prepared to carry on civil defense and defense mobilization functions in conformity with the proposed regional pattern.

The Department of Labor believes that while its eleven-region pattern is best suited for the peacetime responsibilities of its principal manpower constituent, the Bureau of Employment Security, the Bureau is able to conform its boundaries to the proposed eight-region pattern.

The Department of Health, Education, and Welfare has agreed to adjust its regions to conform to the proposed regional pattern; an office will be established in Seattle and a capability for execution of civil defense and defense mobilization functions will be ensured in Denver and in Boston.

The Housing and Home Finance Agency has indicated that the proposed regional pattern will be satisfactory in terms of their operating requirements.

The General Services Administration, because of its unique role in supporting, not the states, localities, or the general public, but rather Federal agencies themselves, will not be expected to make changes in its existing regional boundaries. GSA will, however, so organize as to have the capability for the performance of support services in conformance with the proposed regional pattern.

Cooperative arrangements have been made with the Atomic Energy Commission's installations in the various regions.

Certain relatively small upward budgetary adjustments may have to be made by some of the agencies affected.

Recommendation: That the President approve the proposed regional pattern shown on the attached map for agencies having major responsibilities for civil defense and defense mobilization, with the understanding that this pattern will apply to regular peacetime as well as to civil defense and defense mobilization operations, and that he direct the implementation as indicated below:

Implementation: By direction of the President:

(1) The Office of Civil and Defense Mobilization will proceed immediately to establish an eighth region in the Northwest, and adjust its regional boundaries to the proposed eight-region pattern by October 1, 1959;

(2) The Department of Labor will adjust the regions of the Bureau of Employment Security to the agreed eight-region pattern by October 1, 1959. A capability to execute civil defense and defense mobilization functions will be established as necessary, including Denver and Boston;

(3) The Department of Health, Education and Welfare will adjust its nine regions to conform to the agreed regional pattern by October 1, 1959, and establish an office in Seattle and ensure a capability for the execution of civil defense and defense mobilization functions in Denver and Boston;

(4) The Housing and Home Finance Agency will make boundary adjustments to conform to the agreed regional pattern by October 1, 1959, and will establish a capability to execute civil defense and defense mobilization functions in Boston, Denver and Seattle;

(5) The General Services Administration will organize forthwith so that it will have the capability, for training, tests, and in an emergency, to conform immediately in all respects with the agreed eight-region pattern;

(6) The Departments of Interior, Commerce and Agriculture will immediately designate staffs which will be prepared to carry on civil defense and defense mobilization functions in conformity with the agreed eight-region pattern;

(7) The Director, OCDM, will explore with the Chairman, Federal Reserve Board, the feasibility of adjusting Federal Reserve boundaries to conform to the agreed regional pattern;

(8) Puerto Rico and the Virgin Islands will be included in OCDM Region 1, effective October 1, 1959;

Attachment: Map showing recommended pattern for coordinated regional boundaries.

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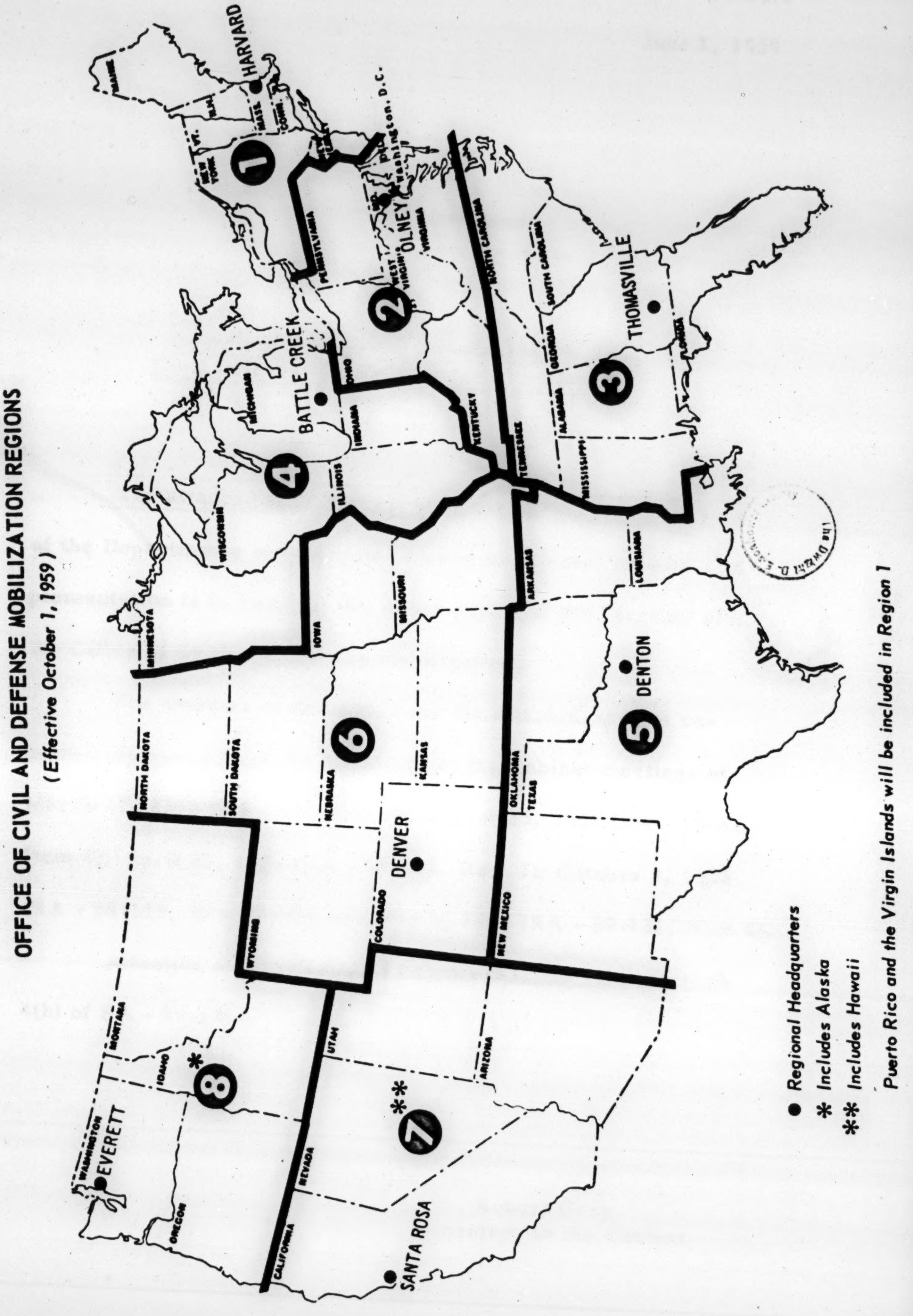

OFFICE OF CIVIL AND DEFENSE MOBILIZATION REGIONS

(Effective October 1, 1959)

1
HARVARD
2
OLNEY
Washington, D.C.
3
THOMASVILLE
4
BATTLE CREEK
5
DENTON
6
DENVER
7 **
SANTA ROSA
8 *
EVERETT
MAINE
N.H.
VT.
MASS.
CONN.
NEW YORK
PENNSYLVANIA
WEST VIRGINIA
VIRGINIA
NORTH CAROLINA
SOUTH CAROLINA
GEORGIA
FLORIDA
ALABAMA
MISSISSIPPI
TENNESSEE
KENTUCKY
OHIO
INDIANA
MICHIGAN
ILLINOIS
WISCONSIN
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
OKLAHOMA
TEXAS
NEW MEXICO
KANSAS
NEBRASKA
SOUTH DAKOTA
NORTH DAKOTA
COLORADO
WYOMING
MONTANA
IDAHO
UTAH
ARIZONA
NEVADA
CALIFORNIA
OREGON
WASHINGTON
● Regional Headquarters
* Includes Alaska
** Includes Hawaii
Puerto Rico and the Virgin Islands will be included in Region 1

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE CABINET

Pursuant to Item 3(c) of Record of Action 59-131 from last Friday's meeting, attached are the two documents to which reference was made, namely:

1) Chairman Cannon's statement, as inserted by him on page A-3458 of the Congressional Record for April 27, 1959.

2) A table inserted in the Congressional Record for February 16, 1959 (page 2136) showing that instead of cutting the President's budget by $10 billion, the Opposition has added $6,073 billion to the President's recommendations during the years, since 1953, when they have been in control of the Congress.

Robert Gray
Secretary to the Cabinet

Now or Never

Extension of Remarks
of
HONORABLE CLARENCE CANNON
of Missouri

In The House of Representatives

Monday, April 27, 1959

The Owen D. [illegible] Library

MR. CANNON. Mr. Speaker, the Nation may not be in serious danger, but it is in greater danger than ever before.

Russia has more submarines, more planes, and more divisions than we have -- and is adding to them faster.

Every year we have more enemies and fewer friends. The last to go is oil-rich Iraq.

Every year Khrushchev is more aggressive and more insulting.

Every year we have a larger national debt. Interest alone is $7 1/2 billion dollars. Next fiscal year it will be over $8.1 billion.

Every year Congress spends more than our income, the larger part for nondefense spending, things we have been doing without and can continue to get along without.

Every year we vote to increase the number of civil employees. They now number more than 2,300,000 at an annual payroll in excess of $13 billion.

Every year it is harder for the U.S. Treasury to sell Government bonds; harder to borrow the money Congress spends above the budget -- and interest rates go up.

Mr. Speaker, when Congress votes to spend more than the budget the Government must gobble up more money to finance the big spending:

First. When Congress votes to spend more than we take in the dollar depreciates. Your money buys less.

Second. When Congress votes more money than the budget the cost of living goes up for every family in America. Prices increase in every store.

Third. When Congress votes more money, it is harder to get a loan. And interest is higher.

Fourth. When Congress votes to spend above the budget your savings are worth less. Your old age will be harder than you expected.

Fifth. When Congress votes to spend for things we have been doing without and can continue to do without, your life insurance will do less for your family and your fire insurance will not build your house back.

Sixth. When Congress keeps on voting to spend past the budget your pension will not support you as well, and your social security will not provide as much security.

Seventh. When Congress votes to issue more bonds and borrow more money, gambling on Wall Street grows more frenzied and the crash is that much nearer.

Eighth. When Congress keeps on spending after we have used up all our income, inflation burns higher and you have less confidence in Congress and the Government.

Ninth. When Congress keeps on spending, taxes must go up instead of down.

Tenth. When Congress spends and spends our allies lose faith and want to compromise with the enemy. Our enemies gain confidence and refuse to disarm.

Eleventh. When Congress spends for nondefense pressure groups, war is nearer. Khrushchev is just waiting until Congress spends us into bankruptcy.

Every time Congress votes to spend a dollar we do not have for things we can get along without, they are voting you and your family and your Nation into greater danger and shorter rations.

Here is what the Reader's Digest says about it:

[At this point, Chairman Cannon quotes the text of a recent Reader's Digest article entitled "The Ominous Distrust of the Dollar"]

It may be added, Mr. Speaker, that the next world war will be different in many respects from any previous world war in history. We will not be fighting for victory; we will be fighting for survival.

The decisive phase of the war will be fought in America. And if America loses it will be a war of extermination. The Russian firing squads will leave only the uneducated and the unskilled, and our form of government, our way of life, and our people as we know them today will cease to exist. It is a familiar program followed in every satellite government Russia has liberated.

With that in prospect, however remote, can we not for the present tighten our belts a little and deny ourselves some of the nondefense "knicknacks" the pressure groups are urging?

The following table was prepared by Senator Dirksen and inserted by him in the Congressional Record of February 16, 1959, (page 2136):

Actions Taken by Congress on Presidential Budgetary Recommendations
(in millions)

	Actions affecting expenditures					
	Action on appropriations	Other congressional actions	Expenditures avoided by veto	Net total	Actions affecting receipts	Net total budgetary actions
Action on Eisenhower recommendations:						
Congresses controlled by Democrats:						
85th Cong., 2d sess.	-$617	+$4,997	+$1,562	+$5,942	+$665	+$6,607
85th Cong., 1st sess.	-5,043	+1,910	+314	-2,819	-------	-2,819
84th Cong., 2d sess.	-257	+2,339	+307	+2,389	-------	+2,389
84th Cong., 1st sess.	-2,076	+1,642	+330	-104	-------	-104
Total, Congresses controlled by Democrats	-7,993	+10,888	+2,513	+5,408	+665	+6,073
Congresses controlled by Republicans: 83d Cong., 2d sess.	-2,610	+700	+312	-1,598	+1,000	-598
Total, action on Eisenhower recommendations	-10,603	+11,588	+2,825	+3,810	+1,665	+5,475
Action on Truman recommendations:						
Congress controlled by Republicans: 83d Cong., 1st sess.	[1]-12,034	-33	-------	-12,067	--------	-12,067
Grand total	-22,637	+11,555	+2,825	-8,257	+1,665	-6,592

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[1] Reflects final action by the Congress on President Truman's fiscal year 1954 budget, which was submitted in January 1953 before Eisenhower took office. Although the new Republican administration requested substantially less than the Truman budget when agency heads appeared before Appropriations Committees, the exact total of Eisenhower recommendations for fiscal year 1954 is not available. Thus, no comparison between congressional action and Eisenhower for fiscal year 1954 is possible. Assistant Budget Director Hughes, on June 1, 1953, told the House Ways and Means Committee the Eisenhower administration had at that time reduced Truman's budget by $8.5 billion and that undoubtedly there would be further cuts.

CABINET CHECK-LIST

For: Cabinet 5/1/59

		Substitute:		Special Assistant for Cabinet Coordination:	Appointment Secretary, or Other:
✓	THE PRESIDENT		✓	11:30	
✓	THE VICE PRESIDENT		✓	Mr. McWhorter	
O	STATE (Mr. Dulles)		✓	Mr. ~~Boster~~ Stinson	
✓	TREASURY (Mr. Anderson)		✓	Mr. Parsons	
✓	DEFENSE (Mr. McElroy)		✓	Mr. Gale	
✓	JUSTICE (Mr. Rogers)		O	Mr. Cushman	
✓	POST OFFICE (Mr. Summerfield)		✓	Mr. Moore	
✓	INTERIOR (Mr. ~~Seaton~~)	Bennett	✓	Mr. Kennedy	
✓	COMMERCE (Mr. ~~Strauss~~))	Mueller	✓	Mr. Becker	
✓	AGRICULTURE (Mr. Benson)		✓	Mr. Shurtleff	
✓	LABOR (Mr. ~~Mitchell~~)	O'Connell	✓	Mr. ~~Wallace~~ Schumann	
✓	HEALTH, EDUCATION AND WELFARE (Dr. Flemming)		O	Mr. Kieffer	
✓	BUDGET (Mr. Stans)	Staats	✓	~~Dr. Reid~~ Al	
✓	OCDM (Governor Hoegh))		✓	Mr. Reutzel	
O	USUN (Ambassador Lodge)				
O	THE ASSISTANT TO THE PRESIDENT				
✓	THE SECRETARY TO THE CABINET				
			O	Captain Morse, AEC	

(OVER)

WHITE HOUSE STAFF:

✓ Mr. Anderson in part
General Bragdon
Mr. Gordon Gray
✓ General Goodpaster
Mr. Hagerty
✓ Mr. Harlow
✓ Mr. Kendall
Mr. Kestnbaum
✓ Dr. Killiam
Mr. McCabe
Mr. Merriam
✓ Mr. Minnich
Mr. Moos
Mr. Morgan
✓ Mr. Paarlberg
✓ Mr. Patterson
Mr. McPhee
Governor Pyle
Mr. Randall
✓ Mr. Siciliano
✓ Mrs. Wheaton
✓ Major Eisenhower

OTHERS:

0 ATOMIC ENERGY COMMISSION
(Mr. McCone)

0 COUNCIL OF ECONOMIC ADVISERS
(Mr. Saulnier)

✓ M. Flacte ESA

✓ Tom Evans – Bureau of Budget for item 1

✓ Doug Price – for Item 3

for Item 4 (Norman Mason – HHFA
Capt. Aurand

EXECUTIVE SESSION (if any)

________ to ________

Meeting Opened 9:04

Meeting Adjourned 10:30 app